



NEW ISSUE

BOOK-ENTRY ONLY

RATINGS: (See "MISCELLANEOUS – Ratings" herein)

In the opinion of Stevens & Lee, P.C., Scranton, Pennsylvania, Bond Counsel, assuming continuing compliance by the School District with certain covenants to comply with provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and any applicable regulations thereunder, interest on the Bonds is not includable in gross income under Section 103(a) of the Code and interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes on individuals and corporations; however interest on the Bonds may be subject to the Federal alternative minimum tax on "applicable corporations" as defined in Section 59(k) of the Code. See "TAX MATTERS" herein for a brief description of these provisions.

Under the laws of the Commonwealth of Pennsylvania, the Bonds and interest on the Bonds shall be free from taxation for State and local purposes within the Commonwealth of Pennsylvania, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon. Under the laws of the Commonwealth of Pennsylvania, profits, gains or income derived from the sale, exchange or other disposition of the Bonds shall be subject to State and local taxation within the Commonwealth of Pennsylvania.

For further information concerning federal and state tax matters related to the Bonds, see "TAX MATTERS" herein.

**\$17,000,000\***  
**SCHOOL DISTRICT OF THE CITY OF SCRANTON**  
**Lackawanna County, Pennsylvania**  
**General Obligation Bonds, Series of 2025**

**DATED:** Date of Delivery

**DUE:** As shown on inside cover

**DENOMINATIONS:** \$5,000 or any integral multiple thereof

**INTEREST PAYABLE:** June 1 and December 1

**FIRST INTEREST PAYMENT DATE:** June 1, 2025

**MATURITY SCHEDULE**  
**(See Inside Front Cover)**

The General Obligation Bonds, Series of 2025 (the "Bonds") of the School District of the City of Scranton, Lackawanna County, Pennsylvania (the "School District") will be issued under a book-entry only system, in denominations of \$5,000 or any integral multiple thereof, and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as Securities Depository for the Bonds. The principal of and interest on the Bonds are payable by the Paying Agent, which is also serving as authenticating agent, registrar, and transfer agent for the Bonds. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical delivery of bond certificates. For so long as the Bonds remain in a "book-entry only" system, the Paying Agent will make such payments only to DTC, which, in turn, is obligated to remit such principal and interest to the DTC participants for subsequent disbursement to Beneficial Owners of the Bonds, as described herein under "Book-Entry Only System".

**Redemption:** The Bonds are subject to redemption prior to their stated maturity dates as set forth herein. See "THE BONDS" herein.

**Purpose:** Proceeds of the Bonds will be used: (1) to fund various capital projects of the School District; and (2) to pay the costs of issuing the Bonds.

**Security:** The Bonds are general obligations of the School District payable from its tax and other general revenues. The School District has covenanted in the Resolution (herein defined), that it will budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from the sinking fund created under the Resolution or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and time and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy an annual ad valorem tax on all taxable property within the School District within the limits provided by law (see "SECURITY FOR THE BONDS" herein and "TAXES AND TAXING POWERS OF THE SCHOOL DISTRICT" in APPENDIX A herein).

THE PENNSYLVANIA DEPARTMENT OF EDUCATION PLACED THE SCHOOL DISTRICT ON FINANCIAL WATCH STATUS IN 2017. IN EARLY 2019 THE SCHOOL DISTRICT WAS DECLARED BY THE PENNSYLVANIA DEPARTMENT OF EDUCATION TO BE IN FINANCIAL RECOVERY STATUS AS A MODERATE FINANCIAL RECOVERY SCHOOL DISTRICT PURSUANT TO THE PUBLIC SCHOOL CODE OF 1949, AS AMENDED. ON JANUARY 10, 2023 THE ACTING SECRETARY OF EDUCATION ANNOUNCED THAT THE SCHOOL DISTRICT HAS SUCCESSFULLY EXITED FINANCIAL RECOVERY STATUS.

The Bonds are being issued when, as and if accepted by the Underwriters, subject to withdrawal or modification of the Underwriters' offer to the School District to purchase, and subject to the approving legal opinion by Stevens & Lee, P.C., Scranton, Pennsylvania, Bond Counsel to the School District, to be furnished upon delivery of the Bonds, and to certain other conditions. Certain legal matters will be passed on for the School District by King, Spry, Herman, Freund & Faul, LLC, Bethlehem, Pennsylvania, Solicitor for the School District, and certain legal matters will be passed upon for the Underwriters by Eckert Seamans Cherin & Mellott, LLC, Harrisburg, Pennsylvania, Underwriters' Counsel. FSL Public Finance, LLC, Scranton, Pennsylvania, serves as Municipal Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery, through the facilities of DTC, on or about \_\_\_\_\_, 2025.



Capital Markets

**DATED:** \_\_\_\_\_, 2025

\*Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other changes without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time of the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

**\$17,000,000\***  
**SCHOOL DISTRICT OF THE CITY OF SCRANTON**  
**Lackawanna County, Pennsylvania**  
**General Obligation Bonds, Series of 2025**

**Dated:** Date of Delivery  
**Due:** June 1, as shown below  
**Denominations:** \$5,000 or any integral multiple thereof

**Interest Payable:** June 1 and December 1  
**First Interest Payment Date:** June 1, 2025

**MATURITY SCHEDULE**

<u>Year</u>	<u>Maturity Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP**</u>
2025	\$	%		%	
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					

\*Preliminary, subject to change.

\*\*CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided for convenience or reference only. Neither the School District, the Municipal Advisor nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity.

**SCHOOL DISTRICT OF THE CITY OF SCRANTON**  
**Lackawanna County, Pennsylvania**  
**425 North Washington Avenue, Scranton, Pennsylvania 18503**

**BOARD OF SCHOOL DIRECTORS**

Ty Holmes .....	President
Danielle Chesek .....	Vice President
Tara Yanni .....	Member
Marie Merkel .....	Member
Sean McAndrew .....	Member
Catherine Fox .....	Member
Katie Gilmartin .....	Member
Tom Borthwick .....	Member
Bob Casey .....	Member

**SUPERINTENDENT**

Erin Keating, Ed.D.

**ASSISTANT TO THE SUPERINTENDENT OF FINANCE AND OPERATIONS**

Patrick Laffey

**DISTRICT SOLICITOR**

King, Spry, Herman, Freund & Faul, LLC  
Bethlehem, Pennsylvania

**PAYING AGENT**

The Fidelity Deposit and Discount Bank  
Dunmore, Pennsylvania

**BOND COUNSEL**

Stevens & Lee, P.C.  
Scranton, Pennsylvania

**UNDERWRITERS**

Stifel, Nicolaus & Company, Incorporated  
Conshohocken, Pennsylvania

Raymond James & Associates, Inc.  
Lancaster, Pennsylvania

RBC Capital Markets, LLC  
Philadelphia, Pennsylvania

**UNDERWRITERS' COUNSEL**

Eckert Seamans Cherin & Mellott, LLC  
Harrisburg, Pennsylvania

**MUNICIPAL ADVISOR**

FSL Public Finance, LLC  
Scranton, Pennsylvania

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, WITHOUT PRIOR NOTICE.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

No quotations from or summaries or explanations of provisions of law and documents herein purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the School District and the purchasers or holders of any of the securities described herein. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The cover page, the inside cover page, the list of officials, this page and the Appendices attached hereto are part of this Official Statement.

No dealer, broker, salesman or other person has been authorized by the School District or the Underwriters to give any information or to make any representation, other than that given or made in this Official Statement, and if given or made, any such other information or representation may not be relied upon as having been authorized by the School District or the Official Statement. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement has been approved by the School District and, while the information set forth in this Official Statement has been furnished by the School District and other sources which are believed to be reliable, such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters or, as to information obtained from other sources, by the School District. The information and expressions of opinion set forth in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under this Official Statement shall, under any circumstances, create any implication that the affairs of the School District have remained unchanged since the date of this Official Statement. This Official Statement will be made available through the Electronic Municipal Market Access System ("EMMA"), which is the sole Nationally Recognized Municipal Securities Information Repository.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties, which could affect the amount of taxes and other revenue collected by the School District, include, among others, changes in economic conditions and various other events, conditions and circumstances, many of which are beyond the control of the School District. Such forward-looking statements speak only as of the date of this Official Statement. The School District disclaims any obligation or undertaking to release publicly any updates or revision to any forward-looking statement contained herein to reflect any changes in the School District's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The CUSIP (Committee on Uniform Securities Identification Procedures) numbers for the Bonds shown on the inside front cover page hereof have been assigned by an organization not affiliated with the School District or the

Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriters have agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP number set forth herein.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE SCHOOL DISTRICT AND THE TERMS OF THE OFFERING INCLUDING THE RISKS INVOLVED. THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR OTHER SECURITIES REGULATOR. NEITHER THE SECURITIES AND EXCHANGE COMMISSION, NOR ANY STATE SECURITIES COMMISSION NOR OTHER SECURITIES REGULATOR HAS PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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## **PRELIMINARY OFFICIAL STATEMENT**

**\$17,000,000\***

### **SCHOOL DISTRICT OF THE CITY OF SCRANTON Lackawanna County, Pennsylvania General Obligation Bonds, Series of 2025**

#### **INTRODUCTION**

This Official Statement is furnished by the School District of the City of Scranton, Lackawanna County, Pennsylvania (the “School District”), in connection with the issuance of its \$17,000,000\* General Obligation Bonds, Series of 2025 (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Board of School Directors of the School District (the “School Board”) on February 3, 2025 (the “Resolution”), naming The Fidelity Deposit and Discount Bank, Dunmore, Pennsylvania, as Paying Agent (the “Paying Agent”), and in accordance with the Local Government Unit Debt Act, 53 Pa.C.S. Chs. 80-82 (the “Act”) of the Commonwealth of Pennsylvania (the “Commonwealth”). The Bonds, when issued, will be general obligation bonds of the School District, issued pursuant to the Resolution.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Purchases of the Bonds can be made in book-entry only form, and purchasers will not receive certificates representing their interests in the Bonds. So long as DTC, or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Paying Agent directly to Cede & Co. Disbursement of such payments to the DTC Participants (herein defined) is the responsibility of DTC, and disbursement of such payments to Beneficial Owners (herein defined) of the Bonds is the responsibility of the DTC Participants and the Indirect Participants (herein defined). See “THE BONDS” and “BOOK-ENTRY ONLY SYSTEM” herein.

The information set forth in this Official Statement contains summaries of the Resolution, relevant provisions of Commonwealth law, the School District’s budget and the School District’s financial statements. Such summaries do not purport to be complete and reference is made to the Resolution, the School District’s budget and the School District’s financial statements, copies of which are on file and available for examination at the offices of the School District. Reference is also made to the Bonds and to the actual cited laws and regulations.

#### **THE BONDS**

##### **General**

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal and interest so paid.

If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal and interest on the Bonds shall be made as described in the following paragraphs.

Principal of the Bonds will be paid to the registered owner of each Bond, when due, upon surrender thereof at the corporate trust office of the Paying Agent located in Dunmore, Pennsylvania.

The Bonds will bear interest semiannually on June 1 and December 1 of each year, commencing on June 1, 2025, (each an "Interest Payment Date"), as set forth on the inside cover page hereof. The Bonds mature on the dates and in the amounts shown on the inside cover page hereof. Each Bond shall bear interest from the Interest Payment Date next preceding the date of registration and authentication of such Bonds, unless (a) such Bonds are registered and authenticated as of an Interest Payment Date, in which event such Bonds shall bear interest from said Interest Payment Date, or (b) the Bonds are registered and authenticated after a Record Date (herein defined) and before the next succeeding Interest Payment Date, in which event such Bonds shall bear interest from such Interest Payment Date, or (c) the Bonds are registered and authenticated on or prior to the Record Date preceding June 1, 2025, in which event such Bonds shall bear interest from the dated date of the Bonds, or (d) as shown by the records of the Paying Agent, interest on such Bonds shall be in default, in which event such Bonds shall bear interest from the date to which interest was last paid on such Bond.

Interest on each Bond is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the 15th day (whether or not a business day) next preceding each Interest Payment Date (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bonds subsequent to such Record Date and prior to such Interest Payment Date, unless the School District shall be in default of interest due on such Interest Payment Date. If the School District shall be in default in payment of interest due on any Interest Payment Date, such defaulted interest shall be payable to the person in whose name the Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of Bonds not less than ten (10) days preceding such special record date. Such notice shall be mailed to the persons in whose names the Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing. The principal of and interest on the Bonds are payable in lawful money of the United States of America.

If the date for the payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or on a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

### **Transfer, Exchange and Registration of Bonds**

**Subject to the provisions described herein, under "BOOK-ENTRY ONLY SYSTEM"**, Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, at its designated corporate trust office, accompanied by a written instrument or instruments in form, with instructions and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

The School District and the Paying Agent shall not be required: (a) to issue or to register the transfer of or exchange any Bond then considered for redemption during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is given or (b) to register the transfer of or exchange any portion of any of the Bonds selected for redemption in whole or in part until after the redemption date. Bonds may be exchanged for a like aggregate principal amount of Bonds or other authorized denominations of the same series, maturity and interest rate.

### **Optional Redemption**

The Bonds stated to mature on or after June 1, 20\_\_ are subject to redemption prior to maturity at the option of the School District, in whole or in part, in any order of maturity at any time on or after \_\_\_\_\_, 20\_\_, at a price equal to 100% of the principal amount of the Bonds to be redeemed and accrued interest thereon to the date fixed for

such optional redemption. In the event that less than all of the Bonds of a particular maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be drawn by lot by the Paying Agent.

### **Mandatory Redemption**

The Bonds stated to mature on June 1, 20\_\_ are subject to mandatory redemption, prior to maturity, on June 1 of the years (at a price equal to the principal amount of the Bonds called for mandatory redemption plus accrued interest thereon to the date fixed for such mandatory redemption) and in the principal amounts set forth in the following schedule, as drawn by lot by the Paying Agent.

#### **Bonds Mandatory Redemption Schedule**

<b><u>Redemption Date</u></b> <b><u>(June 1)</u></b>	<b><u>Principal Amount to be</u></b> <b><u>Redeemed</u></b>
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\*

\*Term Bond Maturity

In lieu of mandatory sinking fund redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount thereof plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for mandatory sinking fund redemption in any such year.

### **Notice of Redemption**

As provided more fully in the Resolution and in the form of the Bonds, notice of redemption of Bonds shall be given by mailing a copy of the redemption notice by first class mail, postage prepaid, no less than 30 days nor more than 60 days prior to the redemption date to the Registered Owners of Bonds to be redeemed at the addresses which appear in the Bond Register. Neither failure to mail such notice nor any defect in the notice so mailed or in the mailing thereof with respect to any one Bond will affect the validity of the proceedings for the redemption of any other Bond. If the School District shall have duly given notice of redemption and shall have deposited with the Paying Agent funds for the payment of the redemption price of the Bonds so called for redemption with accrued interest thereon to the date fixed for redemption, interest on such Bonds will cease to accrue after such redemption date.

If at the time of mailing of the notice of optional redemption the School District shall not have deposited with the Paying Agent moneys sufficient to redeem all the Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Paying Agent no later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

### **Event of Default Remedies**

Upon occurrence of an event of default, Holders shall be entitled to the remedies contained in the Resolution and the Act. See “SECURITY FOR THE BONDS – Actions in the Event of Default” and “SECURITY FOR THE BONDS – Security for General Obligation Bonds under Section 633 of the Public School Code of 1949 - State Enforcement of Debt Service Payments” herein.

### **BOOK-ENTRY ONLY SYSTEM**

*The information under this heading has been obtained from materials provided by DTC for such purpose. The School District and the Underwriters do not guaranty the accuracy or completeness of such information and such information is not to be construed as a representation of the School District or the Underwriters.*

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds have been issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate has been issued for the Bonds

of each separate maturity and interest rate in the aggregate principal amount of such maturity and interest rate, and have been deposited with DTC.

DTC the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the School District or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the School District or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC), is the responsibility of the School District or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the School District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The School District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the School District believes to be reliable, but the School District takes no responsibility for the accuracy thereof.

#### **Disclaimer of Liability for Failures of DTC**

The School District and the Underwriters cannot and do not give any assurances that DTC, the Direct or Indirect Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the owner of Bonds, or will distribute any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The School District and the Underwriters are not responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds, or any error or delay relating thereto.

### **SECURITY FOR THE BONDS**

#### **General Obligation**

The Bonds are general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, within the limits provided by law. (See "SCHOOL DISTRICT FINANCIAL SUMMARY" in Appendix A hereto and "LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS – The Taxpayer Relief Act, as Amended" herein). The Act presently provides for enforcement of debt service payments as hereinafter described (see "Actions in the Event of Default" below), and the Pennsylvania Public School Code of 1949, as amended, presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see below, "Security for General Obligation Bonds under Section 633 of the Public School Code of 1949-State Enforcement of Debt Service Payments" below).

## **Sinking Fund**

In the Resolution, the School District has created a sinking fund for the Bonds (the "Sinking Fund"), to be maintained with the Paying Agent, as sinking fund depository, and segregated from all other funds of the School District. The School District shall deposit in the Sinking Fund a sufficient sum not later than fifteen (15) days prior to the date when principal or interest is due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other available funds therein, is sufficient to pay, in full, interest and principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds when due and payable.

## **Security for General Obligation Bonds under Section 633 of the Public School Code of 1949- State Enforcement of Debt Service Payments**

Section 633 ("Section 633") of the Pennsylvania Public School Code of 1949 (Act of March 10, 1949, P.L. 30, as amended) (the "Public School Code" or the "School Code") presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness (which excludes any termination payment due on the Swap) at date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date, or on a sinking fund deposit date (which, pursuant to the Resolution, is at least fifteen (15) days prior to such principal or interest due date), in accordance with the schedule under which the bonds or notes were issued, the Secretary of Education of the Commonwealth shall notify the board of school directors of its obligation and shall withhold from any Commonwealth appropriation due such school district, if any, an amount equal to the sum of such principal and/or interest and shall pay over such amount directly to the bank acting as sinking fund depository for the bond issue ("Intercept Program"). THERE CAN BE NO ASSURANCE, HOWEVER, THAT ANY PAYMENTS PURSUANT TO SUCH WITHHOLDING PROVISIONS WILL BE MADE BY THE DATE ON WHICH SUCH PAYMENTS ARE DUE TO THE BONDHOLDERS, NOR CAN ANY ASSURANCES BE GIVEN THAT THERE ARE FUNDS REMAINING TO BE DISBURSED TO THE SCHOOL DISTRICT FROM SUCH ANNUAL APPROPRIATION SUFFICIENT TO SATISFY THE PAYMENTS ON THE BONDS AT THE TIME OF SUCH REQUEST.

The withholding provisions of Section 633 are not part of any contract with the registered owners of the Bonds and may be amended or repealed by future legislation. The effectiveness of Section 633 may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers' salaries and for payments which a school district fails to make to charter schools. Enforcement may also be limited by bankruptcy, insolvency, receivership or other laws or equitable principles affecting the enforcement of creditors' rights generally.

Legislation has been introduced from time to time in the Pennsylvania General Assembly which would allow charter schools to be paid directly by the Commonwealth from appropriations that otherwise would be first paid to school districts and could adversely affect a school district's cash flow and reduce appropriations available for intercept under Section 633.

The School Code also requires each school district to report to the Secretary of Education of the Commonwealth within 120 days after the close of its fiscal year as part of its annual financial report, the amount of indebtedness that became due during the fiscal year together with the amounts paid on such indebtedness. Failure to include such information in the annual report permits the Secretary of Education of the Commonwealth to withhold any Commonwealth appropriation to the applicable school district until such report is filed.

All public school subsidies made by the Commonwealth are subject to appropriation by the General Assembly. Although the Constitution of the Commonwealth provides that “the General Assembly shall provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth,” the General Assembly is not legally obligated to appropriate such subsidies and there can be no assurance that it will do so in the future. The allocation formula pursuant to which the Commonwealth distributes such subsidies to the various school districts throughout the Commonwealth may be amended at any time by the General Assembly. Moreover, the Commonwealth’s ability to make such disbursements will be dependent upon its own financial condition. At various times in the past, the enactment of budget and appropriation laws by the Commonwealth has been delayed, resulting in, among other things, the inability of the State Treasurer to make direct payments of school district subsidies pursuant to the intercept provisions described above and increased interim borrowing by school districts pending the appropriation and payment of state aid. Consequently, there can be no assurance that financial support from the Commonwealth for school districts, either for capital projects or education programs in general, will continue at present levels or that appropriations will be available for payments to bondholders if indebtedness of such school district is not paid when due. See “INVESTMENT CONSIDERATIONS – Commonwealth Aid” herein for certain information concerning payments made by the Commonwealth to the School District.

### **Act 85 of 2016**

On July 13, 2016, the Governor of the Commonwealth signed into law Act 85 of 2016. Act 85 of 2016 adds to the Fiscal Code Article XVII-E.4, entitled “School District Intercepts for the Payment of Debt Service During Budget Impasse”, which provides for intercept of subsidy payments by the Department from a school district subject to an intercept statute or an intercept agreement in the event of a budget impasse in any fiscal year. Act 85 of 2016 includes in the definition of “intercept statutes” Section 633 of the Public School Code, which applies to the Bonds. “Intercept agreements” are defined in Act 85 of 2016 as agreements entered into under the authority of an intercept statute. **No intercept agreement applies to the Bonds.** (However, the intercept statutory provisions of Section 633 of the Public School Code do apply to the Bonds.) The School District’s general obligation bonds and notes, including the Bonds, are subject to Section 633 of the Public School Code.

Act 85 of 2016 provides that the amounts as may be necessary for the Department to comply with the provisions of the applicable intercept statute or intercept agreement “shall be appropriated” to the Department from the General Fund of the Commonwealth after the Department submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year: (1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due; (2) the conditions under which the Department is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring the Department to withhold payments which would otherwise be due to school districts; and (3) the Secretary of the Department, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which the Department may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated on the expiration of the tenth (10<sup>th</sup>) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The School District has not been advised as to whether the Department will submit a justification covering all school districts at the beginning of a budget impasse on July 1 of a fiscal year or on a case by case basis. The School District will include, in the Paying Agent Agreement or other agreement provisions requiring notice to be given by the School District to the Paying Agent, and by the Paying Agent to the Department, that the justification required by Act 85 of 2016 must be submitted to the appropriation committee chairs immediately (if it has not already been submitted) so that the steps necessary for the intercept payment to be made by the applicable debt service payment date can be implemented in sufficient time.

Act 85 of 2016 provides that, “The total amount of all intercept payments under this article [*i.e.*, Article XVII-E.4] may not exceed 50% of the total non-federal general fund subsidy payments made to the subject school district in the prior fiscal year.”

Act 85 of 2016 requires that each school district subject to an intercept statute or intercept agreement must deliver to the Department, in such format as the Department may direct, a copy of the final official statement for the relevant bonds or notes or the loan documents relating to the obligations, within thirty (30) days of receipt of the proceeds of the obligations. Until the Department finally establishes an electronic format and method for filing the information required, which includes a schedule of principal and interest payments, the School District will file a hard copy of the Official Statement for the Bonds, including schedules of principal and interest payments for all series of obligations outstanding, including sinking fund deposit dates or intercept payment dates, as applicable, and scheduled debt service payment dates for each series. The same schedules will be submitted by the School District as part of any electronic filing.

Act 85 of 2016 provides that any obligation for which the Department does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

### **Actions in the Event of Default**

Subject to the exclusive representation of holders of the Bonds by a trustee appointed under the Act as described in the following paragraph, if the School District fails or neglects to pay principal or interest on any of the Bonds as it becomes due and payable, and such failure continues for thirty (30) days, the holder of such Bond may bring suit in a court of appropriate jurisdiction and venue and any judgment recovered shall have an appropriate priority upon the money next coming into the treasury of the School District, all as provided in the Act. The Act also provides other remedies to holders of the Bonds to enforce the School District's covenants in respect of payment of the Bonds.

In the event the School District defaults in the payment of the principal of or the interest on any of the Bonds after same shall become due, whether at the stated maturity or upon call for prior redemption, and such default shall continue for thirty (30) days, or if the School District fails to comply with any provision of the Bonds or the Resolution, the Act provides that the holders of 25% in aggregate principal amount of the Bonds then outstanding may, by appropriate action, appoint a trustee to represent the holders of such Bonds. The trustee may, and upon request of the holders of 25% in principal amount of the Bonds then outstanding, and upon being provided with indemnity satisfactory to it, shall take such action on behalf of the holders of such Bonds as is more specifically set forth in the Act. Such representation by the trustee shall be exclusive.

### **SCHOOL DISTRICT PREVIOUSLY SUBJECT TO FINANCIAL RECOVERY STATUS**

***Preliminary and Final Determinations of Financial Recovery Status.*** On January 16, 2019, the School District received correspondence from the Executive Deputy Secretary for PDE of PDE's Preliminary Declaration of Financial Recovery Status for the School District pursuant to the School Code as a Moderate Financial Recovery School District.

***Exit from Financial Recovery Status.*** On January 10, 2023, the Acting Secretary of Education announced that the School District has successfully exited financial recovery status. For the Wolf Administration's press release regarding the School District's exit, see [Wolf Administration: Scranton School District Exits Financial Recovery \(pa.gov\)](#). The School District now enters a monitoring period (generally five years) during which the Board of School Directors resumes full control over school district management and the Chief Recovery Officer and the Department oversee the board of school directors to ensure that financial stability is maintained and the provisions of the Recovery Plan and its amendments remain in place.

### **INVESTMENT CONSIDERATIONS**

*The Bonds, like all investment securities, carry a risk of loss of the investment, in whole or in part. This does not purport to describe all of the risks of an investment in the Bonds; both the School District and the Underwriters disclaim any responsibility to advise prospective investors of such risks either as they may exist at the date of*



*dissemination of this Official Statement or as they may appear or change from time to time in the future. Prospective purchasers of the Bonds should consult their own legal and tax advisors as to the risks associated with an investment in the Bonds, their ability bear a loss from an investment in the Bonds and the suitability of investing in the Bonds, in light of their particular, individual, circumstances. Prospective purchasers should carefully consider the matters described below, as well as all the information contained within this entire Official Statement.*

Investment in the Bonds involves substantial risks. The following information should be considered by prospective investors in evaluation of the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks. Other factors which could result in a reduction of revenues available to the School District or an increase in the School District's expenses, and a corresponding reduction in the School District's ability to fulfill the terms of its debt service obligations, are discussed elsewhere in this Official Statement, including the Appendices hereto.

Prospective investors should consider this Official Statement, including the Appendices hereto, in its entirety prior to making any investment decision with respect to the Bonds.

### **State Intercept Procedures and Timing**

The successful operation of the State Intercept depends on the performance of certain administrative actions and the availability of adequate appropriations which can be withheld for payment or the successful operation of the provisions of the Fiscal Code added by Act 85 applicable in the case of a Commonwealth budget impasse.

Pursuant to the Resolution, the School District will deposit in the Sinking Fund a sufficient sum not later than fifteen (15) days prior to the date when principal and/or interest is to become due on the Bonds. In the event of a failure of the School District to make sinking fund deposits with respect to debt service payments for the Bonds, the timing of payments to the School District of Commonwealth appropriations may be such that insufficient funds will be paid to the Paying Agent pursuant to the intercept provisions of the School Code to cover the entire sinking fund deposit amounts prior to or on debt service payment dates.

The School District is a party to certain intercept agreements relating to certain of its general obligation bonds and notes. **However, no intercept agreement applies to the Bonds.** (However, the State Intercept statutory provisions of Section 633 of the Public School Code do apply to the Bonds.) It is expected that such intercept agreements will be administered consistent with the rights of the related paying agents under such intercept agreements and any other intercept agreement which may apply to the School District's debt obligations in the future. The existing intercept agreements address education aid payable to the School District in each April and October. In the event of a shortfall in education aid available for interception, such aid should not necessarily be expected to be available to the Paying Agent for the Bonds pursuant to the intercept provisions of the School Code. Should the School District in the future enter into additional intercept agreements, no assurances can be provided that the particular months or amounts of education aid covered by such agreements may not disrupt or otherwise adversely affect the timing and amounts of state aid provided to the Paying Agent for the Bonds in light of the potential interaction of the Commonwealth performing under all such agreements and any changes in available aid and/or Commonwealth revenues to provide for such aid payments.

### **Reliance on Commonwealth Funding and Delays in Commonwealth Budget Process**

Delays in the Commonwealth budget process in any fiscal year of the School District may impact the School District's cash flow with potentially related materially adverse effects upon the School District's finances and operations in the School District's applicable fiscal year or fiscal years. Moreover, there is no assurance that once enacted, the Commonwealth budget, in any fiscal year, will appropriate amounts equal to those estimated in the School District's budget for the related time period. The School District uses the calendar year for its fiscal year so each of its fiscal years is affected by two of the Commonwealth's fiscal year budgets (i.e., the Commonwealth budget for a fiscal year ending June 30th and a subsequent budget for the applicable following Commonwealth fiscal year beginning July 1st).

## **Future Debt**

The School District currently does anticipate issuing additional long-term debt in the next two (2) years to fund capital projects, however this may change based on the School District's future capital needs and various market conditions. Additional debt may also be issued to refund or restructure existing School District debt over the next two (2) years.

## **No Assurance of Secondary Market for the Bonds**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds can be sold for any particular price. Accordingly, purchasers of the Bonds should be prepared to have their funds committed until the Bonds mature. Prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different than the original purchase price. Moreover, while the Underwriters expect to reoffer the Bonds in the secondary market, the Underwriters are not specifically required to do so.

## **Challenges Facing the School District and Other Risk Factors Related to Finances and Operations**

In the future, the following factors, among others, may adversely affect the finances and operations of the School District to an extent that cannot be determined at this time.

1. Expenditures required to comply with special education or other instructional requirements including the settlement of claims related to special education litigation;
2. Expenditures to comply with any future Federal and/or Commonwealth mandates;
3. Unknown litigation, regulatory actions or other similar claims regarding the School District;
4. Changes in Commonwealth pension funding requirements with may affect the level of annual employer contributions required by the School District;
5. Increased competition from charter schools (including cyber charter schools) which may increase required payments from the School District for tuition or reduce levels of Commonwealth aid to the School District;
6. Adverse economic conditions which may impact real estate property values, non-property tax revenues and levels of tax delinquencies;
7. Changes in collective bargaining agreements which may affect the timing and extent to which the School District may be able to implement cost containment measures;
8. Adverse demographic, economic or financial developments affecting the City of Scranton or the County of Lackawanna (i.e., overlapping tax jurisdictions), which may constrain the ability of the School District to raise tax revenues;
9. The recurrence of a Commonwealth budget impasse which could exacerbate or contribute to cash flow strains during the related budget year of the School District;
10. Pressure on the School District's state law debt ceiling under the Act which may limit its ability over time to undertake budgetary debt service savings transactions and/or fund capital improvements; and
11. Changes in public support for public education funding, in general, and funding for the School District, in particular, which may impact the level of Commonwealth education aid received by the School District and/or constrain the ability of the School District to raise taxes.

## **Economic Factors Affecting the Financial Condition of the School District**

Changes in current economic conditions, on local, regional and national levels, could adversely affect the School District's operating revenues and expenses and, consequently, the School District's ability to pay debt service on the Bonds. Among the factors that could have such adverse effects are: changes in local demographics; closure or relocation of key industries and employers; increases in local rates of unemployment; decreases in the assessed value of real estate within the School District; decreases in real estate tax collections; future contract negotiations with organized labor and the consequent impact on wage scales and operating costs; increasing costs of supplies and materials necessary to provide public services; loss or reduction of State and federal subsidies and reimbursements for operating and capital costs; and delays in adoption of, failure to budget and appropriate within or other adverse changes to, the Commonwealth's budget, as the same may affect School District revenues or the timely payment thereof.

## Uncertainty of Tax Revenues

While present State law authorizes the School District to levy *ad valorem* real estate taxes in order to support the payment of debt service on the Bonds, there can be no firm assurance or guaranty that the School District will realize sufficient revenues through its taxing and other revenue generating powers to make full and timely payment of the debt service on the Bonds. Moreover, the School District's ability to increase certain rates or purposes of taxation is limited by State law. (See "**The Taxpayer Relief Act (Act 1), as Amended**" and "**Status of the Bonds Under Act 1**" herein.

Additionally, the availability of tax and other locally-generated revenue is dependent on the tax base within the School District and the ability of this tax base to support the tax burden imposed in any year not only by the School District, but also by such overlapping taxing authorities as Lackawanna County and the component municipalities of the School District.

## Equity Funding Lawsuit

On February 7, 2023, the Pennsylvania Commonwealth Court, after a trial conducted in its original jurisdiction, issued its ruling in the equity funding case of *William Penn School District, et al vs. Pennsylvania Department of Education, et al*, finding in favor of the plaintiffs.

First filed in 2014, this case, brought by six individual Pennsylvania school districts, along with several parents, the State Conference of the NAACP and the Pennsylvania Association of Rural and Small Schools, challenged Pennsylvania's statutory scheme for funding public education across its nearly 500 school districts. Named as defendants were the Governor of the Commonwealth of Pennsylvania, the Pennsylvania General Assembly and the Pennsylvania Department of Education. According to the plaintiffs, Pennsylvania's reliance on local property taxes to fund public education, without compensating aid from the Commonwealth, creates funding disparities between affluent school districts with greater local wealth, and those which are not so financially advantaged. Plaintiffs alleged that the present inadequacies of Commonwealth funding produce wide variations in student learning and performance around the Commonwealth, and that, as a result of the limited resources and opportunities available to students enrolled in such disadvantaged school districts, the Commonwealth has failed its constitutional obligation to provide a "thorough and efficient" system of public education. The defendants countered by pointing to such statistics as the Commonwealth's overall public education budget and Pennsylvania's per-pupil spending rank at 7<sup>th</sup> among all the states in the nation.

In its opinion, the Court found that the plaintiffs had met their burden of proof, writing that students resident in financially disadvantaged school districts "are deprived of the same opportunities and resources" as those resident in more affluent school districts and that such disparities both violate state constitutional mandates and deprive students of their equal protection rights. The Court found that all students across the Commonwealth are entitled to a "comprehensive, effective, and contemporary" education.

Notwithstanding such findings, the Court did not, however, fashion a remedy, noting the limits of the Court's competency in such regards, and writing the Court is in "uncharted territory with this landmark case." Instead, the Court directed the parties to develop a plan to address the constitutional violations.

A Joint Application in the Nature of a Motion for Post-Trial Relief (the "Joint Application") was filed by Respondent Senator Kim Ward, President Pro Tempore of the Pennsylvania Senate, and Intervenor Representative Bryan Cutler, Leader of the Republican Caucus of the Pennsylvania House of Representatives. The Joint Application was denied by the Commonwealth Court by order dated June 21, 2023. The deadline for a further appeal to the Pennsylvania Supreme Court lapsed on July 21, 2023, without any such appeal being taken. Therefore, the decision of the Commonwealth Court stands.

However, as mentioned above, the Commonwealth Court's opinion offers little guidance either as to the sort of new or reformed public education funding scheme which would be acceptable, or as to the allowed timeline to institute the same. Pennsylvania's most recently adopted Commonwealth budget did contain significant increases in the level of public education funding. Moreover, the fifteen member "Basic Education Funding Commission,"

comprised of an equal number of representatives from each of the Republican and Democratic caucuses of both houses of the General Assembly, as well as the Governor's Office, conducted a series of public hearings around the state to compile data and testimony on the subject. According to a public statement by Commission Co-Chair Senator Kristen Phillips-Hill (R-York County), "(w)ith the court matter now resolved, it is imperative that the Commission . . . collect testimony that will help us improve the basic education funding formula to comply with the court's directive regarding adequacy, equity and timeliness." On January 11, 2024, the Commission approved a Majority Report, with recommendations on new or reformed public education formulae, in time for the Governor's February budget address to the General Assembly. However, that report was approved along party lines and was also accompanied by the release of a Minority Report. While the two reports agree on many recommendations, they differ on several others. Thus, the Commission's work is likely to spark considerable political debate and the generation of numerous and competing legislative alternatives; no assurances can be offered that any new or reformed funding scheme will become established law and practice. Accordingly, no predictions can yet be made on the impact, positive or negative, of this lawsuit, or of modifications to Pennsylvania's public education funding formulae, on future Commonwealth subsidies to be paid to the School District, or on the School District's overall financial affairs.

### **Actions In The Event Of Default**

If the School District fails or neglects to budget, appropriate and pay debt service on the Bonds when due, a holder or trustee may petition the Court of Common Pleas of the County of Lackawanna, and upon a finding of such failure or neglect, the Court may direct, by order of mandamus, the School District to pay into the sinking fund established for the Bonds the first tax moneys or other available revenues or moneys thereafter received. Such judgment could mandate that the School District pay such debt service prior to all other School District expenses, including School District employee wages and benefits. Notwithstanding such provisions of law, courts generally exercise wide discretion in deciding whether to grant a writ of mandamus, and the judges who enter such orders are usually elected to the bench by local voters. Additionally, municipal officials presented with a writ could resign rather than carry out the mandamus order, in which case it is uncertain the extent to which bond purchasers would be able to cause other School District officials to pay amounts then due and owing.

In the event the School District defaults in the payment of the principal of or the interest on the Bonds after the same shall come due, whether at the stated maturity or upon call for prior redemption, and such default shall continue for thirty days, or if the School District fails to comply with any provision of the Bonds or the Resolution, the Act provides that the holders of 25% in aggregate principal amount of such Bonds then outstanding may, upon appropriate action, appoint a trustee to represent the Bond purchasers. The trustee may, and upon request of the holders of 25% in principal amount of such Bonds then outstanding and upon being provided with indemnity satisfactory to it, shall, take such action on behalf of the Bond purchasers as is more specifically set forth in the Act. Such representation by the trustee shall be exclusive.

### **Competing Commonwealth Intercept Authorities**

Under current Pennsylvania law, Commonwealth subsidies to school districts can be intercepted for purposes other than to pay debt service then due and owing on school district debt. For example, Pennsylvania law authorizes the diversion of Commonwealth Subsidies directly to charter schools if the relevant school district fails to transfer such subsidies to the charter school. Additionally, Pennsylvania law authorizes the diversion of state subsidies to the Pennsylvania Public School Employees' Retirement System ("PSERS") if the school district fails to fully fund its annual contribution to the retirement system.

### **Pension Plans and Pension Funding Pressure**

Future changes in actuarial assumptions, benefit plan modifications or variations in actual experience from actuarial assumptions may result in additional unfunded liability (and amortization payments) or over-funding (and credits), as the case may be, that are not currently reflected in reports prepared by the PSERS actuary.

The School District's annual pension contribution obligation may increase over the next several years. As PSERS' pension obligations rise, it should be expected that the annual amount payable by the School District to PSERS will also rise, potentially absorbing a greater share of available revenues and leaving less funding for student

learning and negatively impacting the available sources of funds the School District has to pay debt service on the Bonds and its other indebtedness. See “**Pension Program**” herein.

### **Cyber Event**

On or about March 13, 2024, the School District became aware of suspicious activity in its computer network. Soon thereafter, the School District turned off network switches, turned off internet access, and engaged a third-party forensic firm to more fully understand the nature and scope of the suspicious activity. To date, the School District is fully restored from this event. The School District’s cyber insurance covered a large amount of costs related to the event and the subsequent investigation of the event. The event had an immaterial financial impact on the School District.

### **LITIGATION**

There is no litigation pending or, to the knowledge of School District officials, threatened which might have a material adverse effect upon the School District, seeks to restrain or enjoin the issuance or sale of the Bonds, or, in any way contests or affects the validity of the Bonds or any proceedings of the School District taken with respect to the issuance or sale thereof. The School District in the normal course of its operations is sometimes named as a defendant in civil lawsuits for which defense costs and judgments are covered by liability insurance policies maintained by the School District.

At the time of the issuance of the Bonds, the President or Vice President and Solicitor of the School District, will deliver a certificate and letter, respectively, dated as of the date thereof, certifying, among other things, that there is no litigation pending or, to the knowledge of the respective person, threatened, which challenges the validity or enforceability of the Bonds; or in the event that such litigation is pending or threatened, a description of the nature of such litigation, together with an opinion of legal counsel approved by the School District to the effect that such litigation is without legal merit.

**Environmental Litigation.** Several former employees of the Scranton School District, who on behalf of themselves and all persons similarly situated (collectively, the “Plaintiffs”), filed a Complaint in February 2020 in United States District Court (Middle District) seeking medical monitoring due to the school district and school board members (collectively, the “School District”) alleged concealment of the presence of free asbestos in the various school district buildings and lead in school district drinking water. It is alleged that School District was aware of the presence of both free asbestos and lead in various school district buildings but failed to notify Plaintiffs or take steps to remediate. Instead, it is alleged that the School District allowed teachers, students, staff and guests to both enter the buildings and drink from water sources.

In January 2020, it was publicly revealed by the School District that these conditions existed and that the School District would take steps to remediate the buildings. Due to this exposure, Plaintiffs and the putative Class allege that they now have an increased risk of contracting serious latent diseases. The Plaintiffs seek the creation of a medical monitoring trust fund to compensate Plaintiff and the Class for monitoring their physical well-being to make early detection of any such latent disease possible.

The defendants include the Scranton School District and 15 former and current members of the School Board. The School District denies the Plaintiffs’ allegations in full, and specifically deny that they omitted, concealed, or otherwise failed to sufficiently act on any known information pertaining to presence of allegedly unsafe levels of asbestos and lead in any schools in the School District. The School District also refutes that this case is properly a class action.

In October 2020, the Court held an initial case management conference. The parties have exchanged Initial Disclosures but otherwise have not yet commenced discovery. In May 2020, the School District filed a Motion to Dismiss the Complaint. In an Order and Opinion dated July 15, 2022, the District granted the School District’s Motion to Dismiss but granted Plaintiffs’ leave to amend to complaint to address the deficiencies in the Complaint.

On August 15, 2022, Plaintiffs filed an Amended Complaint against the School District alleging essentially same claims, but the individual defendants were dropped from the Amended Complaint. On October 14, 2022, the

School District filed a Motion to Dismiss the Amended Complaint. In the Spring of 2024 the District Court granted the motion to dismiss the Amended Complaint. While the Plaintiffs had the ability to refile in state court with respect to the medical monitoring claim, they failed to do so within thirty (30) days of the court's order and therefore all claims have been effectively dismissed with prejudice.

## **DEFAULTS AND REMEDIES**

The School Code presently provides that a school district of the School District's class and various other classes may not file a municipal debt adjustment action under the United States Bankruptcy Code. The School Code also provides that school districts which are in financial recovery status under Article VI-A of the School Code may become subject to receivership under certain circumstances. See also, "SCHOOL DISTRICT PREVIOUSLY SUBJECT TO FINANCIAL RECOVERY STATUS."

The School Code provides that the Education Secretary shall, after proper investigation, issue a declaration that a school district is in financial recovery status when, subject to certain conditions, such school district (a "financial recovery school district") has received an advance of its basic education subsidy at any time. The Education Secretary will appoint a chief recovery officer for the financial recovery school district to develop and implement a financial recovery plan for the financial recovery school district. The school board of a financial recovery school district is required to comply with all directives of the chief recovery officer related to implementation of the recovery plan and may take no action that is inconsistent with the plan, not specifically identified in the recovery plan or not directed by the chief recovery officer as necessary to implement the plan. **If the school board of a financial recovery school district fails to comply with the foregoing, the financial recovery school district shall be subject to the appointment of a receiver pursuant to the School Code.**

A receiver shall assume all powers and duties of the chief recovery officer and the board of school directors except the power to levy and raise taxes. Section 672-(A)(c)(3) of Article VI-A of the School Code provides that nothing in the financial recovery provisions of such article or a financial recovery plan shall be construed to authorize a receiver to "Unilaterally impair or modify existing bonds, notes, school district securities or other lawful contractual or legal obligations of the school district, **except as otherwise ordered by a court of competent jurisdiction or as provided in section 642-A(a)(3)**" of Article VI-A of the School Code which authorizes a receiver to, "Cancel or renegotiate any contract to which the board of school directors or the school district is a party, if the cancellation or renegotiation of contract will effect needed economies in the operation of the district's schools." Collective bargaining agreements are specifically exempted from such clause.

## **LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS**

### **The Taxpayer Relief Act, as Amended**

The Taxpayer Relief Act, which became effective June 27, 2006 provides, inter alia, that a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index, unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the referendum exceptions provided by the Taxpayer Relief Act applies. On June 30, 2011, the General Assembly adopted legislation (Act 25 of 2011) amending The Taxpayer Relief Act eliminating several exceptions previously permitted under The Taxpayer Relief Act and providing for the rescission of certain prior approved referendum exceptions for disaster/emergency costs, implementation of a court order, school construction and non-academic school construction (effective after the last payment of principal and interest on debt incurred to finance same). The Taxpayer Relief Act together with Act 25 of 2011 will hereinafter be referred to as the "Taxpayer Relief Act". The exceptions available under the Taxpayer Relief Act are summarized as follows:

1. to pay interest on and principal of indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which

had not elected to become subject to Act 72 of 2004; to pay interest on and principal of any indebtedness approved by the voters at referendum;

2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees' Retirement System when the increase in the actual dollar amount of estimated payments between the current year and the upcoming year is greater than the Index.

The School District did not elect to become subject to Act 72 of 2004 and has no outstanding indebtedness that was approved by voter referendum.

A school district intending to utilize the foregoing exceptions is entitled to apply to PDE for approval thereof, if and to the extent a tax increase greater than the Index is needed in any particular fiscal year. The Taxpayer Relief Act provides that PDE shall approve a school district's request if a review of the data demonstrates that the school district qualifies for the exception sought and the sum of the dollar amounts of all exceptions for which the school district qualifies is not more than what is necessary to balance the budget after giving effect to the revenue to be raised by the allowable increase under the Index. There can be no assurance; however, that approval will be given by PDE to utilize a referendum exception in any future fiscal year or years.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by the court or PDE, as the case may be. If a school district's petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index to be determined and reported by PDE by September of each year for application to the following fiscal year is the average of the percentage increase in the statewide average weekly wage, as determined by the Pennsylvania State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the Federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Taxpayer Relief Act, as amended, does not affect the School District's covenant under the Act to budget, appropriate and pay debt service on all outstanding debt of the School District.

The summary of The Taxpayer Relief Act, as amended, is not intended to be an exhaustive discussion or a legal representation thereof, and a prospective purchaser of any bonds should review the full text of the Taxpayer Relief Act, as amended, as part of any decision to purchase any of the Bonds.

### **Act 130 of 2008**

Act 130 of 2008 of the Commonwealth amended the Local Tax Enabling Act so as to authorize school districts levying an occupation tax to replace that occupation tax with an increased earned income tax or, if the school district implemented a personal income tax in accordance with the Taxpayer Relief Act, an increased personal income tax which is revenue neutral. To so replace an occupation tax, the board of school directors must first hold at least one public hearing on the matter and then place a binding referendum question on the ballot at a general or municipal election for approval by the voters. The School District repealed its occupation assessment tax and increased the earned income tax from .50% to a new tax rate of .95%, which was adopted and went into effect on July 1, 2002.

### **Act 48 of 2003**

Pennsylvania Act No. 2003-48 enacted on December 23, 2003 prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures</u>	Act 48 of 2003 Allowable % of <u>Total Budgeted Expenditures</u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated ending unreserved undesignated fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriate for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

In addition, for a discussion of certain provisions of the Act and the School District’s debt capacity thereunder, see “OUTSTANDING INDEBTEDNESS AND DEBT SERVICE – Debt Limit and Remaining Borrowing Capacity” in Appendix A hereto.

**PURPOSE OF THE ISSUE**

Proceeds of the Bonds will be used: (1) to fund various capital projects of the School District; and (2) to pay the costs of issuing the Bonds.

**ESTIMATED SOURCES AND USES OF FUNDS**

The following are the expected sources and uses of funds in connection with the issuance of the Bonds.

**Sources of Funds**

Par Amount of the Bonds.....	\$
Total Estimated Sources of Funds .....	<u>\$</u>

**Uses of Funds**

Project Fund Deposit .....	
Costs of Issuance <sup>(1)</sup> .....	_____
Total Uses of Funds.....	<u>\$</u>

<sup>(1)</sup> Includes legal fees, underwriters’ discount, rating agency fees, municipal advisory fee, printing and miscellaneous fees.

**SCHOOL DISTRICT OF THE CITY OF SCRANTON  
(Lackawanna County, Pennsylvania)**

The School District encompasses an area of 24.8 square miles and is coterminous with the City of Scranton, Lackawanna County, Pennsylvania (the “City”). The City serves as the commercial center of Northeastern Pennsylvania. Additionally, the City is the county seat of Lackawanna County. The City lies approximately 130 miles north of Philadelphia and approximately 125 miles west of New York City. Access to the City is provided by U.S. Interstate 84 running east-west and U.S. Interstate 81 running north-south. For additional details about the School District, see “APPENDIX A – School District of the City of Scranton, Lackawanna County, Pennsylvania.”



## CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15-c2-12 (the “Rule”) of the United States Securities and Exchange Commission (the “SEC”), the School District (being an “obligated person” with respect to the Bonds, within the meaning of the Rule), will agree to provide certain financial information and operating data to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as prescribed by the MSRB, either directly, or indirectly through a designated agent, as set forth in its Continuing Disclosure Certificate substantially in the form attached hereto as Appendix E.

With respect to the filing of annual financial information and operating data, the School District reserves the right to modify from time to time the specific types of information and data provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The School District is required to give notice of certain events as set forth in the Continuing Disclosure Certificate (not all of which will be relevant to the School District). The School District may from time to time choose to file notice of other events in addition to those specified in the Continuing Disclosure Certificate.

The School District acknowledges that its undertaking pursuant to the Rule described herein and in the Continuing Disclosure Certificate is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holders and beneficial owners of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District’s continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not constitute an event of default with respect to the Bonds.

The School District’s obligations with respect to continuing disclosure described herein shall terminate upon the prior defeasance, redemption or payment in full of all of the Bonds or if and when the School District is no longer an “obligated person” with respect to the Bonds, within the meaning of the Rule.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and others defined “obligated persons”) with respect to municipal securities issues) are made available through the MSRB’s Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

The School District has previously entered into prior continuing disclosure undertakings with respect to each one of its previously issued bond issues that are currently outstanding. The School District’s filing history of its annual financial and operating information during the past five (5) years is outlined in the following table.

<b>Fiscal Year</b>	<b>Filing</b>	<b>Audit</b>	<b>Filing Dates</b>	
			<b>Annual Report and/or</b>	
<b><u>Ending</u></b>	<b><u>Due Date</u></b>		<b><u>Operating Data</u></b>	<b><u>Budget</u></b>
12/31/2023	10/1/2024	N/A <sup>(1)</sup>	9/30/2024 & 10/3/2024	9/30/2024
12/31/2022	10/2/2023	10/1/2023 <sup>(2)</sup>	10/1/2023	10/1/2023
12/31/2021	10/2/2022	9/29/2022 <sup>(3)</sup>	9/29/2022	9/28/2022
12/31/2020	10/2/2021	9/30/2021 <sup>(4)</sup>	9/30/2021	9/30/2021
12/31/2019	10/1/2020	11/16/2020 <sup>(5)</sup>	9/29/2020	9/25/2020

<sup>(1)</sup> A "Failure to Timely File Notice" was filed to EMMA on 10/1/2024. As of the date of this Official Statement, the School District’s final FY 2023 audit has not been released and will be filed to EMMA, when it becomes available.

(2) A "Failure to Timely File Notice" was filed, along with a draft of the unaudited financial statements to EMMA on this date. The final Audit, when it became available, was filed to EMMA on 4/17/2024.

(3) A "Failure to Timely File Notice" was filed, along with a draft of the unaudited financial statements to EMMA on this date. The final Audit, when it became available, was filed to EMMA on 11/4/2022.

(4) A "Failure to Timely File Notice" was filed, along with a draft of the unaudited financial statements to EMMA on this date. The final Audit, when it became available, was filed to EMMA on 3/8/2022

(5) A "Failure to Timely File Notice" was filed to EMMA on 10/1/2020.

The School District has reasonable procedures in place designed to ensure ongoing timely filings of its material continuing disclosure requirements. Digital Assurance Certification, LLC ("DAC") currently serves as the School District's dissemination agent.

## LEGAL MATTERS

Certain legal matters incidental to the authorization, issuance and delivery of the Bonds are subject to the approval of Stevens & Lee, P.C., Scranton, Pennsylvania, Bond Counsel. A copy of the proposed form of Bond Counsel Opinion is attached as Appendix D to this Official Statement. Certain legal matters in connection with the general solicitor's review will be passed upon by King, Spry, Herman, Freund & Faul, LLC, Bethlehem, Pennsylvania, Solicitor to the School District. Certain legal matters in connection with the issuance of the Bonds will be passed upon by Eckert Seamans Cherin & Mellott, LLC, Harrisburg, Pennsylvania, Underwriters' Counsel.

Bond Counsel has not been engaged to verify nor have they independently verified, the accuracy, completeness or truthfulness of any statements, certifications, information or financial statements set forth in the Preliminary Official Statement, dated \_\_\_\_\_, 2025 (the "Preliminary Official Statement"), or the Official Statement, dated \_\_\_\_\_, 2025 (the "Official Statement"), or otherwise used in connection with the offering of the Bonds or set forth in or delivered by the School District officials, and similarly expresses no opinion with respect to whether the School District in connection with the offering of the Bonds or the preparation of the Preliminary Official Statement or the Official Statement, has made any untrue statement of a material fact or omitted to state any material fact necessary in order to make any statement made therein not misleading.

## TAX MATTERS

### Federal Tax Laws

Numerous provisions of the Internal Revenue Code of 1986, as amended, (the "Code"), affect the issuers of state and local government unit bonds or notes, such as the School District, and impair or restrict the ability of the School District to finance projects on a tax-exempt basis. Failure on the part of the School District to comply with any one or more of such provisions of the Code, or any regulations under the Code, could render interest on the Bonds includable in the gross income of the owners thereof for purposes of federal income tax retroactively to the date of issuance of the Bonds. Among these provisions are more restrictive rules relating to: (a) investment of funds treated as proceeds of the Bonds; (b) the prohibition on advance refunding of tax-exempt bonds; and (c) the use of proceeds of the Bonds to benefit private activities. In addition, under the Code, the School District is required to file an information return with respect to the Bonds and, if applicable, to "rebate" to the federal government certain arbitrage profits on an ongoing basis throughout the term of the issue constituting the Bonds. Bond Counsel has not undertaken to determine (or to inform any person) whether any action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

Other provisions of the Code affect the purchasers and holders of certain state and local government bonds such as the Bonds. Prospective purchasers of the Bonds should be aware that: (i) Section 265 of the Code denies a deduction for interest on (a) indebtedness incurred or continued to purchase or carry certain state or local government bonds or notes, such as the Bonds, or, (b) in the case of a financial institution, that portion of a financial institution's interest expense allocated to interest on certain state or local government bonds or notes, such as the Bonds, unless the issuer of the state or local government bonds or notes designates the bonds or notes as "qualified tax-exempt obligations" for the purpose and effect contemplated by Section 265(b)(3)(B) of the Code (the School District has not designated the Bonds as "qualified tax exempt obligations" under Section 265(b)(3)(B) of the Code, as such phrase is defined in the Code); (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(1) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest

and amounts treated as such on certain state or local government bonds such as the Bonds; (iii) interest on certain state or local government bonds or notes, such as the Bonds, earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (iv) if a Subchapter S corporation has passive investment income (which passive investment income will include interest on state and local government bonds or notes such as the Bonds) exceeding 25% of such Subchapter S corporation's gross receipts and if such Subchapter S corporation has Subchapter "C" earnings and profits, then interest income derived from state and local government bonds or notes, such as the Bonds, may be subject to federal income tax under Section 1375 of the Code; and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income receipts or accruals of interest on certain state or local government bonds or notes such as the Bonds.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. Various legislative proposals have been submitted to Congress during the last several years, which if enacted, would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. If enacted into law, such proposals may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds.

No prediction is made whether these provisions will be enacted as proposed or concerning other future legislation which if passed might have the effect on the tax treatment of interest on the Bonds. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation. Bond Counsel will render its opinion as of the issue date and will assume no obligation to update its opinions after the issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. Moreover, the opinion of Bond Counsel is only an opinion and not a warranty or guaranty of the matters discussed. Bond Counsel has no obligation to provide updated information concerning pending or future legislation. The School District does not have any obligation to provide updated information concerning pending or future legislation. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING ANY PROPOSED FEDERAL TAX LEGISLATION, AS TO WHICH BOND COUNSEL EXPRESSES NO OPINION.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service or the courts.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds.

### **Tax Exemption**

In the opinion of Bond Counsel, assuming continuing compliance by the School District with certain certifications and agreements relating to the use of Bond proceeds and covenants to comply with provisions of the Code and any applicable regulations thereunder, now or hereafter enacted, interest on the Bonds is not includable in the gross income of the holders of the Bonds under Section 103(a) of the Code and interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations; however, interest on the Bonds may be subject to the Federal alternative minimum tax on "applicable corporations" as defined in Section 59(k) of the Code. Other provisions of the Code will affect certain purchasers and holders of the Bonds. See "Federal Tax Laws" above.

In the opinion of Bond Counsel under the laws of the Commonwealth, the Bonds and interest on the Bonds shall at all times be free from taxation for State and local purposes within the Commonwealth, but this exemption shall not extend to gift, estate, succession or inheritance taxes or any other taxes not levied directly on the Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of the Bonds are subject to State and local taxation within the Commonwealth of Pennsylvania. The residence of a holder of a Bond in a state or jurisdiction other than Pennsylvania, or being subject to tax in a state

or jurisdiction other than Pennsylvania, may result in income or other tax liabilities being imposed by such state or jurisdiction or its political subdivisions, as applicable, based on the interest or other income from the Bonds.

The School District will issue its certificate regarding the facts, estimates and circumstances in existence on the date of delivery of the Bonds and regarding the anticipated use of the proceeds of the Bonds. The School District will certify that, on the basis of the facts, estimates and circumstances in existence on the date of issuance of the Bonds, the School District does not reasonably expect to use the proceeds of the Bonds in a manner that would cause the Bonds to be or become “arbitrage bonds” or “private activity bonds” as those terms are defined in Section 148 and Section 141 of the Code.

The School District has not designated and determined under and for purposes of Section 265(b)(3)(B) of the Code to qualify each of the Bonds as a “qualified tax-exempt obligation” as such phrase is defined in the Code.

THE ABOVE SUMMARY OF POSSIBLE TAX CONSEQUENCES IS NOT EXHAUSTIVE. ALL PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE POSSIBLE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS. ANY STATEMENTS REGARDING TAX MATTERS HEREIN CANNOT BE RELIED UPON BY ANY PERSON TO AVOID TAX PENALTIES.

### **Regulations, Future Legislation**

Under the provisions of the Code the Treasury Department is authorized and empowered to promulgate regulations implementing the intent of Congress under the Code, which could affect the tax-exemption and/or tax consequences of holding tax-exempt obligations, such as the Bonds. In addition, legislation may be introduced and enacted in the future which could change the provisions of the Code relating to tax-exempt bonds of a state or local government unit, such as the School District, or the taxability of interest in general.

The Inflation Reduction Act of 2022 (the “IRA”), signed by President Biden on August 16, 2022, includes a 15 percent alternative minimum tax to be imposed on the “adjusted financial statement income”, as defined in the IRA, of “applicable corporations” as defined in section 59(k) of the Code. Interest on the Bonds will be included in the “adjusted financial statement income” of such corporations for purposes of computing such alternative minimum tax.

No representation is made or can be made by the School District, or any other party associated with the issuance of the Bonds as to whether or not any other legislation now or hereafter introduced and enacted will be applied retroactively so as to subject interest on the Bonds to federal income taxes or so as to otherwise affect the marketability or market value of the Bonds.

EACH PURCHASER OF THE BONDS SHOULD CONSULT HIS OR HER OWN TAX ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL TAX LEGISLATION.

## **MISCELLANEOUS**

### **Ratings**

Moody’s has assigned the Bonds an enhanced rating of “Aa3” with regard to the Pennsylvania Intercept Program. This rating may be changed, suspended or withdrawn as a result of a change in, or unavailability of, information.

The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the applicable rating agency. Such rating reflects only the view of the applicable rating agency and any desired explanation of the significance of any such rating should be obtained from the rating agency furnishing the same. Any downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

## **Underwriting**

The Bonds have been purchased by Stifel, Nicolaus & Company, Incorporated, Raymond James & Associates, Inc, and RBC Capital Markets, LLC as the Underwriters. The Underwriters have agreed to purchase the Bonds at an aggregate purchase price of \$\_\_\_\_\_ (which is the aggregate par amount of Bonds less the underwriters' discount of \$\_\_\_\_\_ and [less/plus] a net original issue [discount/premium] in the amount of \$\_\_\_\_\_). The Bond Purchase Agreement for the Bonds provides that the Underwriters will purchase all the Bonds, if any are purchased, in accordance with the terms of the Bond Purchase Agreement, and requires that the School District certify to the Underwriters that this Official Statement does not, to the knowledge of the School District, contain any untrue statement of a material fact or omit any statement of any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The initial public offering prices of the Bonds, set forth in the **MATURITY SCHEDULE** shown on the inside of the Cover Page of this Official Statement, may be changed by the Underwriters from time to time without any requirement of prior notice. The Underwriters reserve the right to join with other dealers in offering the Bonds to the public; and said Bonds offered to other dealers may be at prices lower than those offered to the public.

Stifel and its affiliates comprise a full service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Stifel and its affiliates may have provided, and may in the future provide, a variety of these services to the School District and to persons and entities with relationships with the School District, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, Stifel and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the School District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the School District.

Stifel and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the School District.

The Underwriters have provided the following information for inclusion in this Official Statement: The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage and asset management. In the ordinary course of business, the Underwriters and their applicable respective affiliates may actively trade debt and if applicable equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their applicable respective affiliates may engage in transactions for their own accounts involving the Bonds or other offering of the School District.

## **Paying Agent**

The principal of and interest on the Bonds will be payable at the corporate trust office of The Fidelity Deposit and Discount Bank, Dunmore, Pennsylvania, provided that interest may be paid by checks drawn on the Paying Agent and mailed to the registered owners on the appropriate Regular Record Date.

## **Municipal Advisor**

The School District has retained FSL Public Finance, LLC, Scranton, Pennsylvania, as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. The Municipal Advisor is not obligated to any holder of the Bonds to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. The Municipal Advisor is an independent, registered advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

**Related Parties**

FSL Public Finance, LLC, an affiliated business of Stevens & Lee, P.C., Bond Counsel to the School District, is serving as municipal advisor to the School District in connection with the issuance of the Bonds.

**Other**

All the summaries of the provisions of the Act, the School Code, the Taxpayer Relief Act, Act 85 of 2016, and other laws, the Bonds and the Resolution and other documents hereinabove set forth are made subject to all the detailed provisions thereof, to which reference is hereby made for further information, and do not purport to be complete statements of any or all such provisions.

All information, estimates and assumptions herein have been obtained from officials of the School District, other governmental bodies, trade and statistical services and other sources which are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended as such and not as representations of fact.

Appendices attached hereto are expressly incorporated herein as a part hereof.

The School District has authorized the distribution of this Preliminary Official Statement.

**SCHOOL DISTRICT OF THE CITY OF SCRANTON  
Lackawanna County, Pennsylvania:**

**By:** \_\_\_\_\_  
President, School Board of Directors

**APPENDIX A**

**SCHOOL DISTRICT OF THE CITY OF SCRANTON**

**(Lackawanna County, Pennsylvania)**

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**SCHOOL DISTRICT OF THE CITY OF SCRANTON  
(Lackawanna County, Pennsylvania)**

*The text, charts and tables within this Appendix (unless otherwise footnoted) set forth both: (a) financial information and results of operations which are specific to the School District and have been produced from its own financial records; and (b) community economic data and descriptions which were supplied by or, if obtained from other sources, confirmed by, School District officials. In the latter case, the School District does not guarantee the accuracy of such data, but does confirm that the same has been obtained from sources deemed to be reliable and that the School District has no information which would suggest such data is inaccurate or misleading.*

**Introduction**

The School District encompasses an area of 24.8 square miles and is coterminous with the City of Scranton, Lackawanna County, Pennsylvania (the “City”). The City serves as the commercial center of Northeastern Pennsylvania. Additionally, the City is the county seat of Lackawanna County. The City lies approximately 130 miles north of Philadelphia and approximately 125 miles west of New York City. Access to the City is provided by U.S. Interstate 84 running east-west and U.S. Interstate 81 running north-south. For further information related to the City’s demographics and economy see Appendix B hereto.

**Organization and Central Administration**

The School District is a second class school district (school districts within the Commonwealth are classified as first, second, third or fourth class according to population) and operates under and pursuant to the School Code, as amended and supplemented. The School District is governed by a nine-member Board of School Directors (the “School Board”), comprised of residents of the School District who are elected on a staggered basis for four-year terms of office.

The current members of the School Board are listed below:

<u>Name</u>	<u>Position</u>
Ty Holmes	President
Danielle Chesek	Vice President
Tara Yanni	Member
Marie Merkel	Member
Sean McAndrew	Member
Catherine Fox	Member
Katie Gilmartin	Member
Tom Borthwick	Member
Bob Casey	Member

Erin Keating, Ed.D. currently serves as the School District’s Superintendent.

**Enrollment**

The following table presents recent trends in school enrollment over prior years and for the current school year. The School District’s enrollment fluctuates somewhat during the course of any given school year. As of December 31, 2023, the School District’s enrollment was approximately 9,280 students, which is only a 61 student decrease from the prior academic year. Current enrollment compared to 2021-22 is approximately 733 students decline. The School District eliminated 3 year old Pre K program for 2020-21, contributing to a reduction of 401 students in enrollment. The School District has also seen a decrease of 41 students in the Kindergarten program and an approximate increase of 200 students enrolled in outside charter / cyber schools. The School District management attributes that increase in charter / cyber primarily to the COVID-19 pandemic. During the School District’s 2022-2023 academic year, approximately, 2,030 School District students had an Individualized Education Program (IEP) and approximately 996 School District students were in the School District’s ELL programs.

School Year	Elementary	Secondary	Total
2008-09	4,600	4,974	9,574
2009-10	4,657	4,842	9,499
2010-11	4,726	4,895	9,621
2011-12	4,968	4,758	9,726
2012-13	4,639	4,253	8,892
2013-14	4,965	4,633	9,598
2014-15	5,173	4,831	10,004
2015-16	5,135	4,826	9,961
2016-17	5,102	4,888	9,990
2017-18	5,074	5,060	10,134
2018-19	4,978	5,073	10,051
2019-20	4,870	5,143	10,013
2020-21	4,256	4,992	9,248
2021-22	4,188	5,153	9,341
2022-23	3,540	5,775	9,280
2023-24	4,779	4,515	9,294
2024-25*	4,750	4,494	9,244

Source: School District Officials. Enrollment numbers do not include special education pupils enrolled in outside programs or students enrolled in charter schools.

\* As of September 30, 2024. Note the shift in enrollment from elementary to secondary is due to the District assigning all 5<sup>th</sup> grade students to the intermediate schools. This change began in the 2020-21 school year and was completed in the 2022-23 school year.

The following table presents projected enrollment through the 2026-27 academic year.

School Year	Elementary	Secondary	Total
2025-26	3,482	5,593	9,075
2026-27	3,382	5,572	8,954

Source: PA Department of Education enrollment projections released 9/19/2024. Enrollment numbers do not include special education pupils enrolled in outside programs or students enrolled in charter schools.

### Community Eligibility Provision

The Healthy, Hunger-Free Kids Act of 2010 passed by Congress offers school districts the Community Eligibility Provision (“CEP”) as an alternative to reduce the administrative burden of the National School Breakfast and National School Lunch Programs. In order to participate in the CEP, districts must demonstrate that at least 40% of students would automatically qualify for free meals based on participation in other need based programs. A qualifying school must agree to serve free breakfasts and lunches to all students. In exchange, the district is exempt from collecting and processing household applications. All of the District’s schools are eligible to participate in the CEP. The District renewed their participation in CEP for the 2024-25 school year.

### Charter Schools

Presently, there is one brick and mortar charter school, Howard Gardner Multiple Intelligence Charter School, located within the boundaries of the School District. Subject to certain priorities and restrictions, students residing within any particular school district in Pennsylvania may be accepted to charter schools (including cyber charter schools) located within or outside of the particular school district. There are ten cyber schools and 2 brick and mortar charter schools, outside the boundaries of the School District, which are attended by students of the School District. For the School District’s calendar year ended December 31, 2017, the School District’s expenses for students enrolled in cyber / charter schools were approximately \$5.51 million. For the School Districts calendar year ended December 31, 2018, the School District’s expenses for students enrolled in cyber / charter schools were approximately \$5.88 million. For the School Districts calendar year ended December 31, 2019, the School District’s expenses for students

enrolled in cyber / charter schools were approximately \$7.57 million. For the School Districts calendar year ended December 31, 2020, the School District's expenses for students enrolled in cyber / charter schools were approximately \$9.9 million. For the School Districts calendar year ended December 31, 2021, the School District's expenses for students enrolled in cyber / charter schools were approximately \$12.77 million. For calendar year 2023 the District estimates expenses for students enrolled in cyber/charter schools was approximately \$14,414,848. For calendar year 2024 the District estimates expenses for students enrolled in cyber / charter schools to be approximately \$19,234,554.

Prior to the Covid 19 pandemic the School District established an in-house cyber school utilizing the APEX Learning Platform ("APEX"). The School District is no longer continuing with Penn Foster for Cyber School ("Penn Foster"). The new program will engage 6th, 7th and 8th grade students which was not previously done by Penn Foster. Prior to school closure in March 2020 due to COVID-19, the School District had approximately 327 students enrolled in APEX, and had brought back into the School District approximately 20 students from non-public charter/cyber schools, realizing about \$200,000 in annual savings to the School District. The School District returned to school for the 2020-21 school year following a virtual model until April 2021 when the District shifted to a hybrid learning model until returning to full in person instruction for the start of the 2021-22 school year. While operating under the virtual, hybrid or full in person models the District continues to offer an expanded in-house cyber school program. The District in addition to offering the Apex Learning Platform also purchase Pearson Online Learning platform during the pandemic. Under this model, all K-8 students are offered the Pearson Online Learning platform and 9 – 12 students are assigned to APEX courses to supplement their online instruction.

## School Building Facilities

The School District presently operates twelve elementary schools, three intermediate schools, two senior high schools and two Alternative / Emotional Support schools, all as described in the following table.

Building	Original Construction Date	Addition/ Renovation Date(s)	Grades*	Rated Pupil Capacity	2021-22 Enrollment	2022-23 Enrollment	2023-24 Enrollment	2024-25 (as of 9/30/24)
<b>Elementary:</b>								
John Adams	1934	---	K-4	510	175	189	190	211
George Bancroft	1928	---	K-4	600	0	0	0	0
John F. Kennedy	1965	2010	K-4	300	321	317	310	301
McNichols Plaza	1980	---	K-4	600	329	348	335	311
Robert Morris	1895	---	K-4	630	187	212	207	201
Neil Armstrong	1970	---	K-4	930	418	418	410	434
William Prescott	1966	---	K-4	450	213	229	212	198
Charles Summer	1968	---	K-4	496	280	232	244	250
John Whittier	1900	2011	K-4	420	419	435	453	433
Frances Willard	1928	---	K-4	750	369	360	345	340
Isaac Trip	2011	---	K-4	900	770	684	671	695
Scranton Cyber Academy	N/A	N/A	K-4		190	88	63	44
Whither Annex	Leased	---	K-4		0	0	0	0
Monticello	Leased	---	K-4		<u>26</u>	<u>28</u>	<u>34</u>	<u>24</u>
Total					<u>3,697</u>	<u>3,540</u>	<u>3,474</u>	<u>3,442</u>
<b>Secondary:</b>								
South Scranton	1937	---	5-8	1,142	794	701	722	745
West Scranton	1974	---	5-8	1,200	652	770	764	770
Northeast Scranton	1909	---	5-8	1,442	942	847	832	834
Scranton High	2001	---	7-12	2,100	1,345	1,297	1,325	1,492
West Scranton High	1934	---	9-12	1,308	1,119	982	1,008	1,137
Scranton Cyber Academy	N/A	N/A	5-12	N/A	674	1,011	1,002	680
Lincoln Jackson Academy	Leased	---	6-12		7	47	33	26
Monticello	Leased	---	6-12		98	103	99	104
Lackawanna County Prison					<u>13</u>	<u>17</u>	<u>24</u>	<u>14</u>
Total					<u>5,644</u>	<u>5,775</u>	<u>5,809</u>	<u>5,802</u>

Source: School District Officials.

\*For the 2020-21 academic year, Scranton Cyber Academy students are reported in their home school building.

## Employment and Employee Relations

There are presently approximately 1,200 full-time employees of the School District of the City of Scranton, subsequent to the furloughs authorized by the School Board on January 25, 2018 and partially implemented, as described below. The School District has had collective bargaining agreements with its teaching staff since January 1, 1968. Prior to January 1, 1970, the teaching staff was represented by the Scranton Federation of Teachers and the Scranton Education Association. The Scranton Education Association was elected as the sole bargaining representative and continues to serve as such. There have been three (3) work stoppages since 1975. On September 25, 2015, the bargaining unit commenced a strike. On October 13, 2015, the bargaining unit ratified a new agreement and classes within the School District resumed on October 14, 2015. Included in the bargaining unit are all teachers, nurses, dental hygienists, guidance counselors, speech therapists, librarians, home and school visitors and permanent substitutes. The unit consists of approximately 725 regular employees, not including permanent substitutes. The current agreement expired on August 31, 2017. On August 28, 2017, the members of the teacher's union authorized union leaders to call a teacher strike within the School District if no agreement could be reached with the School District. On November 3, 2021 the bargaining unit commenced a strike. On November 19th, 2021 a tentative agreement was reached and later ratified by the bargaining unit. The term of the new agreement is September 1, 2017 through August 31, 2023 and includes pay raises, step movement (both retroactive and forward) in exchange for healthcare plan changes as well as other concessions. On November 30<sup>th</sup>, 2022 a successor agreement was approved by the bargaining unit and Board of School Directors for a term commencing on September 1<sup>st</sup>, 2023 and ending on August 31<sup>st</sup>, 2028. The agreement included pay raises and step movement on the newly adopted pay scale.

Custodian, maintenance and clerical employees, including hall monitors and behavioral techs, are represented by the S.C.I.U. 32 B.J. Local 1201 (“Local 1201”). The unit consists of 74 clericals, hall monitor and behavioral tech and 110 custodial and maintenance full time employees. The bargaining unit was organized in 1972. The prior agreement expired on December 31, 2020. A new agreement was executed on January 14, 2021 by the School District and Local 1201. The new agreement has a term until December 31, 2023, and entails pay increases and step movements in exchange for healthcare plan changes. This agreement was then amended on September 13, 2021 to extend the agreement an additional 2 years until December 31, 2025, and again on April 3, 2023 to extend the agreement an additional 3 years until December 31, 2028 and entailed pay increases and step movements and continuation of healthcare changes.

Para-professional employees are represented by the Scranton Federation of Teachers. The bargaining unit consists of approximately 140 employees (the “Para-Professional Unit”). The Para-professional Unit was organized in 1975. The current agreement expired on August 31, 2017. On November 3, 2021 the bargaining unit commenced a strike. On November 19, 2021 a tentative agreement was reached and later ratified by the bargaining unit. Term of the new agreement is September 1, 2017 through August 31, 2023 and included pay raises, step movement (both retroactive and forward) in exchange for healthcare plan changes as well as other concessions. On November 30<sup>th</sup>, 2022 a successor agreement was approved by the bargaining unit and Board of School Directors for a term commencing on September 1<sup>st</sup>, 2023 and ending on August 31<sup>st</sup>, 2028. The agreement included pay raises and step movement on the newly adopted pay scale.

### **Pension Program**

School districts in Pennsylvania are required to participate in a statewide pension program administered by the Public School Employees Retirement System (“PSERS”). All of the School District’s full-time employees, part-time employees who work more than 80 days in a school year, and hourly employees who work over 500 hours a year participate in the program.

Beginning July 1, 1976, certain revisions were made in the pension program. The Retirement Board, previously under the Department, became an independent agency. The program is still guaranteed by the Commonwealth. Currently, each party to the program contributes a fixed percentage of the employee’s salary. Employees belonging to PSERS prior to July 22, 1983 contribute 5.25% of their salary, and employees who joined PSERS on or after July 22, 1983 contribute 6.25% of their salary. On March 17, 2002, Act 9 created a new membership class that sets the employee contribution rate at 7.50% of the employee’s salary for those employees hired on or after July 1, 2001. Act 9 also provides an option for those employees hired prior to July 1, 2001 to elect a contribution rate of 6.50%, if hired before July 22, 1983, or 7.50% if hired on or after July 22, 1983. Act 120 of 2010 reduces benefits for individuals who become new members of PSERS on or after July 1, 2011. New members will have the option of selecting one of two new classes. The members selecting class T-E will contribute a base rate of 7.5% with “shared risk” contribution levels between 7.5% and 9.5% and a pension multiplier of 2.0%. Members selecting class T-F will contribute a base rate of 10.3% with shared risk contribution levels between 10.3% and 12.3% and a pension multiplier of 2.5%. In accordance with Senate Bill 1042 enacted on July 6, 2010, the employer rate was recertified at 5.64% for fiscal year 2010-11, 8.65% for fiscal year 2011-12, 12.36% for fiscal year 2012-13 and 16.93% for fiscal year 2013-14. On December 10, 2013, the PSERS Board of Trustees certified an employer contribution rate of 21.40%, which began July 1, 2014 and on December 9, 2014, the PSERS Board of Trustees certified an employer contribution rate of 25.84% for the fiscal year 2015-16, which began on July 1, 2015. The PSERS Board of Trustees subsequently set a contribution rate of 30.03% for the annual period beginning July 1, 2016. In December of 2016 the PSERS Board of Trustees set a contribution rate of 32.57% for the annual period beginning July 1, 2017. On December 8, 2017, the PSERS Board of Trustees certified an employer contribution rate of 33.43% for the annual period beginning July 1, 2018. On December 7, 2018, the PSERS Board of Trustees certified an employer contribution rate of 34.29% for the annual period beginning July 1, 2019. On December 6, 2019 the PSERS Board of Trustees certified an employer contribution ratio of 34.51% for the annual period beginning July 1, 2020. On December 3, 2020 the PSERS Board of Trustees certified an employer contribution rate of 34.94% for the annual period beginning July 1, 2021. On December 17, 2021 the PSERS Board of Trustees certified an employer contribution rate of 35.26% for the annual period beginning July 1, 2022. On December 16, 2022 the PSERS Board of Trustees certified an employer contribution rate of 34% for the annual period beginning July 1, 2023. On December 15, 2023 the PSERS Board of Trustees certified an employer contribution rate of 33.9% for the annual period beginning July 1, 2024.

The School District and the Commonwealth are each responsible for paying a portion of the employer’s share. School entities are initially responsible for paying 100% of the employer share of contributions to PSERS. The Commonwealth then reimburses the employer for one-half the payment for employees hired before 1994 and reimburses at the Market Value/Personal Income Aid ratio (76.65% for 2019/2020, 76.87% for 2020/2021, 76.71% for 2021/2022, 78.14% for 2022/2023, 78.09% for 2023/2024, and 78.65% for 2024/2025). The School District contributions are made on a quarterly basis and employee contributions are deducted biweekly for each pay check and remitted quarterly. The School District is current in its payment obligations to the plan. Employer contributions made by the School District for the 2014 through 2023 fiscal years (exclusive of Commonwealth contributions for PSERS), are as set forth in the following table. Currently, the School District’s management expects that its employer contribution requirements for the pension plan in fiscal year 2024 budget to be approximately \$6.56M (i.e., exclusive of approximately \$26.3 million of expenses offset by the Commonwealth’s reimbursement contribution).

<u>Year</u>	<u>Amount</u>
2014	\$3,779,262
2015	4,538,540
2016	5,762,203
2017	6,323,496
2018	5,774,457
2019	5,816,006
2020	5,581,233
2021	5,979,539
2022	6,310,854
2023	6,044,642

Source: School District Financial Statements for 2014 through 2022 and School District Officials.

For the School District’s fiscal year ending December 31, 2016, the District’s employer contribution to the PSERS plan was \$5,762,203. On December 8, 2015, the PSERS Board of Trustees certified an annual employer contribution rate of 30.03% for fiscal year 2016-17, which ended on June 30, 2017. PSERS stated that this contribution rate meets the actuarially required rate and that the rate collars for employer contribution rates put in place by Act 120 of 2010 no longer apply.

As of June 30, 2014 the funded ratios for the PSERS plan were 62.0% and approximately 57.4% on an actuarial and market value basis, respectively, with an unfunded actuarial liability of approximately \$35.12 billion. PSERS reported that at June 30, 2015, its net pension liability increased \$3.7 billion from \$39.6 billion at June 30, 2014 to \$43.3 billion due to a \$2.3 billion growth in the total pension liability from benefits earned and a \$1.4 billion decrease in the fiduciary net position due to benefit payments exceeding contributions and investment income. PSERS has reported, with respect to its fiscal year ended June 30, 2016, that PSERS’ total net position decreased by \$1.7 billion from \$51.9 billion at June 30, 2015 to \$50.2 billion at June 30, 2016. PSERS also commented in its Summary Annual Financial Report for its fiscal year ended June 30, 2016, that as a result of increased funding due to increased employer contributions, PSERS’ funded ratio in approximately two years is projected to slowly improve after declining for many years. PSERS further commented that “for the first time in 15 years, the employer contribution rate (ECR) for the fiscal year beginning July 1, 2016, will provide 100% of the actuarially required rate based on sound actuarial practices and principles.” For the PSERS plan year ended June 30, 2016, the School District recognized pension expense of \$21,365,000.

The ECR increased to 32.57% for the annual period beginning July 1, 2017. For more information, visit the PSERS website at <http://www.psers.state.pa.us/> which is not incorporated by specific reference into this Official Statement.

The School District’s pension burden has increased in past years as shown by certain measures related to its proportionate share of the net pension liability of PSERS. From June 30, 2014 to June 30, 2015 the School District’s proportion of the net pension liability of PSERS increased from 0.4819% (\$190,740,000) to 0.5245% (\$227,189,000). Over this same period of time, the School District’s net pension liability as a percentage of the School District’s covered payroll increased from 310.18% to 336.65%.

The School District's management does not anticipate that Act 5, enacted in June 2017, will have any material impact on the School District's budget for the remainder of the current fiscal year ending December 31, 2023 or the budgeting process for the subsequent fiscal year ending December 31, 2024. Since Act 5 neither creates any "fresh start" for pension assets or liabilities, nor mandates any changes in the pension benefits for the School District's current retirees or current employees, the School District's management does not expect Act 5 to materially impact the School District's pension funding obligations during the next several years. As of the fourth quarter 2022, the School District has not observed any material amount of School District employees electing for new plan options for Act 5 and is uncertain regarding the number of School District employees may make any such election in the future.

#### **Other Post-Employment Benefits**

The School District is not obligated under collective bargaining agreements to provide post-retirement health insurance coverage for its current and future retired professional employees.

## **SCHOOL DISTRICT FINANCIAL SUMMARY**

### **Introduction**

The School District budgets and expends funds according to procedures mandated by PDE. An annual operating budget is prepared by the Superintendent and Deputy Superintendent of Finance and submitted to the School Board for approval prior to the beginning of the fiscal year on January 1, as required by law.

### **Budgeting Process under the Taxpayer Relief Act**

School districts budget and expend funds according to procedures mandated by PDE. An annual operating budget is prepared by School District administrative officials on a uniform form furnished by PDE and is submitted to the School Board for approval prior to the beginning of the fiscal year on January 1.

Procedures for Adoption of the Annual Budget. Under the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006 of the Pennsylvania General Assembly (the "Taxpayer Relief Act" or "Act 1"), all school districts of the first class, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to PDE no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (for further discussions regarding the Index see "LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS" herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election or seek approval to utilize one of the referendum exceptions authorized under the Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (for further discussion regarding exceptions see "LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS -The Taxpayer Relief Act, as Amended" in the front portion of this Official Statement), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

To use any of the referendum exceptions for which court approval is required under the Taxpayer Relief Act, the school district must petition the court of common pleas no later than 75 days prior to the upcoming election, after giving one week's public notice of the intent to file such petition. The court may schedule a hearing on the petition, and the school district must prove by clear and convincing evidence that it qualifies for the exception sought. The Taxpayer Relief Act requires that the court rule on the petition and inform the school district of its decision no later than 55 days prior to the upcoming election. The Taxpayer Relief Act provides that the court in approving the petition shall determine the dollar amount for which the exception is granted, the tax rate increase required to fund the exception and the appropriate duration of the tax increase. If the court denies the school district's petition, the Taxpayer Relief Act permits the school district to submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.



If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

## Reporting

The School District keeps its books and prepares its financial reports according to a modified accrual basis. Major accrual items are payroll taxes and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units. The School District's financial statements are audited annually by independent certified public accountants, as required by the Commonwealth.

As of the date of this Preliminary Official Statement, the Auditor has not completed the audit of the School District's financial statements for the year ended December 31, 2023. The School District currently has the unaudited information presented in the Preliminary Official Statement. The School District expects this information to be in line with the audit and does not expect the audit to contain any information that would have a material adverse effect on the School District's financial condition. The audit will be filed to EMMA, when it becomes available.

## Summary of Financial Information

A summary of the General Fund Balance Sheet and Changes in Fund Balances is presented below for the audited fiscal years ended December 31, 2019 to December 31, 2022.

Fiscal Year Ending 12/31:	2019	2020	2021	2022
<u>Assets:</u>				
Cash and Cash Equivalents	\$9,091,171	\$20,390,875	\$29,254,441	\$29,765,530
Taxes Receivable	9,374,928	15,725,039	13,302,188	12,095,236
Other Receivables	7,400	25,000	834,587	394,696
Intergovernmental Receivable	11,321,308	10,613,678	11,802,663	15,550,310
Due from Other Funds	<u>97,000</u>	<u>97,000</u>	<u>97,000</u>	<u>700,075</u>
Total Assets	\$29,891,807	\$46,955,584	\$55,290,879	\$58,505,847
<u>Liabilities:</u>				
Accounts Payable and Accrued Liabilities	\$9,541,343	\$11,023,005	\$6,425,490	\$5,643,385
Payroll Payable & Withholding	2,727,732	0	8,674,740	8,758,564
Due to Other Funds	3,279,772	90,611	363,250	2,092,639
Other Liabilities	<u>0</u>	<u>0</u>	<u>902,201</u>	<u>902,201</u>
Total Liabilities	\$15,548,847	\$11,113,616	\$16,365,681	\$17,396,789
<u>Deferred Inflows of Resources:</u>				
Grants Received in Advance	5,325,971	9,191,327	8,672,208	10,663,768
Deferred Revenue	7,581,728	14,274,999	13,302,188	12,095,236
<u>Fund Balances:</u>				
Unreserved – Undesignated	\$1,435,261	\$12,375,642	\$16,950,802	\$15,850,054
Reserved – Designated	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,500,000</u>
Total Fund Balances	<u>\$1,435,261</u>	<u>\$12,375,642</u>	<u>\$16,950,802</u>	<u>\$18,350,054</u>
Total Liabilities and Fund Balances	\$29,891,807	\$46,955,584	\$55,290,879	\$58,505,847
Beginning Fund Balance	(\$468,711)	\$1,435,261	\$12,375,642	\$16,950,802
Net Revenue (Deficit)	1,903,972	10,940,381	4,575,160	1,399,252
Ending Fund Balance	<u>\$1,435,261</u>	<u>\$12,375,642</u>	<u>\$16,950,802</u>	<u>\$18,350,054</u>

Source: School District Annual Financial Reports for fiscal years 2019 to 2022, inclusive. Unaudited 2023 financial reports provided by School District Officials.

A summary of the revenues and expenditures of the General Fund for the audited fiscal years (modified accrual basis) ended December 31, 2019 to December 31, 2022 and unaudited for the fiscal year ended December 31, 2023.

Fiscal Year Ending 12/31:	2019	2020	2021	2022	2023 Unaudited
<b>Revenue:</b>					
Local Sources:	\$67,725,643	\$68,532,072	\$71,053,105	\$72,876,279	\$74,544,990
State Sources:	86,565,658	88,632,357	89,047,135	100,412,612	114,786,309
Federal Sources:	<u>9,233,808</u>	<u>9,871,450</u>	<u>14,265,377</u>	<u>22,220,709</u>	<u>30,611,959</u>
Total Revenue	\$163,525,109	\$167,035,879	\$174,365,617	\$195,509,600	\$219,943,258
<b>Expenditures:</b>					
Instruction	\$102,751,245	\$99,936,370	\$109,582,212	\$120,824,779	\$125,331,067
Support Services	40,076,561	36,439,337	39,612,478	45,461,975	53,572,516
Non-instructional Services	1,509,862	1,201,277	1,038,108	1,419,652	1,501,766
Facilities	0	0	1,587,727	7,206,654	10,520,962
Debt Service	<u>16,264,633</u>	<u>17,714,600</u>	<u>17,165,771</u>	<u>17,743,189</u>	<u>18,760,205</u>
Total Expenditures	\$160,602,301	\$155,291,584	\$168,986,296	\$192,656,249	\$209,686,516
Surplus (Deficit) Revenue					
Over Expenditures	\$2,922,808	\$11,744,295	\$5,379,321	\$2,853,351	\$10,256,923
<b>Other Financing Sources (Uses):</b>					
Special Ed. Settlements	(\$295,572)	\$0	\$0	\$0	\$0
Refund of Prior Years Revenues	0	(374,914)	(345,234)	(980,000)	(954,773)
Sale of Capital Assets	0	51,000	0	0	0
Extraordinary Losses	0	0	0	0	(191,904)
Operating Transfers In (Out)*	<u>(723,264)</u>	<u>(480,000)</u>	<u>(458,927)</u>	<u>(474,099)</u>	<u>(6,710,326)</u>
Total Other Financing Sources (Uses)	(\$1,018,836)	(\$803,914)	(\$804,161)	(\$1,454,099)	(\$7,857,003)
Net Revenue (Deficit)	<u>\$1,903,972</u>	<u>\$10,940,381</u>	<u>\$4,575,169</u>	<u>\$1,399,252</u>	<u>\$2,399,920</u>

Source: School District Annual Financial Reports for fiscal years 2019 to 2022, inclusive. Unaudited 2023 financial reports provided by School District Officials.

\*The operating transfers out in fiscal year 2023 include a budgeted approximate \$5,900,000 transfer to the capital improvement fund.

## 2024 and 2025 Budget

On December 9, 2024, the School District adopted its FY 2025 Budget. The budget consists of revenues and other financing sources of \$225,671,321, expenditures of \$225,671,321 inclusive of a budgetary reserve of \$4,743,672.

	Budget 2024	Budget 2025
<b>Local Revenue and Other Sources:</b>		
Real Estate	\$44,878,566	\$42,201,108
Act 511-Wage	21,165,000	20,389,713
Delinquent Real Estate	4,600,000	4,300,000
Delinquent Bus Priv. Merc. Tax	225,000	350,000
Delinquent Payroll Preparation Tax	600,000	3,404,614
Tuition	625,000	735,436
Rental Facilities	80,000	80,000
Earnings on Investments	600,000	850,000
Federal IDEA Pass Through	2,180,000	2,402,665
Miscellaneous Revenue	<u>500,000</u>	<u>499,569</u>
Total Local Revenue	\$75,453,566	\$75,213,105
<b>Commonwealth Revenue:</b>		
Basic Instruction	\$74,775,462	\$75,148,141
Special Education	9,336,866	10,610,816
Pre K	-	120,000
Health Services	200,000	200,000
Transportation Subsidy	1,475,000	1,785,000
Orphans Subsidy	30,000	30,000
Building Subsidy	1,155,636	1,021,797
State Property Tax Reduction Allocation	5,522,850	6,460,753
Safe Schools	-	734,002
Ready to Learn Block Grant	7,836,814	17,057,661
Other State Revenue	206,043	887,074
State Share of Social Security and Medicare		<u>3,800,392</u>
State Share of Retirement Contributions	<u>19,691,649</u>	<u>22,158,769</u>
Total Commonwealth Revenue	\$120,230,320	\$140,014,405

<b>Federal Revenue:</b>		
Title I	\$5,947,905	\$6,480,028
Title II	570,138	533,296
Elementary and Secondary School Emergency Relief Fund	7,326,483	175,000
Other Federal Grants	167,000	0
Title III/ESL	183,221	220,225
Headstart		156,420
Title IV	406,857	493,842
Medicaid Reimbursement	850,000	1,950,000
Total Federal Revenue	<u>\$15,451,604</u>	<u>\$10,008,811</u>
<b>Other Sources:</b>		
Enterprise Fund Transfer	\$435,000	\$435,000
Total Revenue	\$211,570,490	\$225,671,321

The table below details the School District's 2024 and 2025 Budgets by function.

	Budget <u>2024</u>	Budget <u>2025</u>
<b>Expenditures:</b>		
Regular Programs	\$96,953,300	\$96,962,146
Special Programs	32,108,115	42,920,240
Vocational Programs	2,185,205	2,112,165
Other Instructional	452,681	428,647
Non-Public School Programs	437,673	297,432
Pre-Kindergarten		443,470
Pupil Personnel	5,611,995	6,192,029
Instructional Staff	2,265,675	2,393,508
Administration	8,888,765	9,840,999
Pupil Health	2,478,740	2,664,547
Business	1,484,774	1,652,172
Operations and Maintenance	17,420,087	19,876,477
Transportation	7,265,663	7,550,471
Central Administration	6,257,586	5,572,881
Support Services – Other	62,966	65,327
Student Activities	1,639,125	1,803,135
Community Services	228,668	291,306
Facilities Improvements	3,200,000	734,000
Debt Service	19,009,157	19,126,697
Budgetary Reserve	3,620,315	4,743,672
Total Expenditures	<u>\$211,570,490</u>	<u>\$225,671,321</u>
Revenue Over (Under) Expenditures	\$ -	\$ -
<b>Other Sources:</b>		
Health Care Reserve Transfer		
Debt Service Fund Transfer		
Working Capital Financing		
Total Other Sources		

Source: School District officials.

The following shows the gross and net overlapping debt and certain ratios of the School District as of the estimated date of issuance of the Bonds.

Total County Debt (1)	\$207,467,855
Total City Debt (1)	59,185,915
School District Assessed Value (2)	377,408,423
County Assessed Value (2)	1,577,767,405
% of County Debt (3)	23.92%
% of City Debt (3)	100.00%
Share of County Debt (3)	\$49,627,160
Share of City Debt (3)	<u>59,185,915</u>
Total Overlapping Debt	\$108,813,075
Total Gross Debt (4)	<u>235,870,000</u>
Total Gross and Overlapping Debt (4)	\$344,683,075
Population	76,074
Market Value (2)	\$2,732,549,254
Gross Debt Ratios (4)	
Per Capita Gross Direct Debt	\$3,100.53
Per Capita Direct and Overlapping Gross Debt	\$4,530.89
% Gross Direct Debt to Market Value	8.63%
% Gross Direct and Overlapping Debt to Market Value	12.61%

- (1) Source: Department of Community and Economic Development.
- (2) Source: Pennsylvania Tax Equalization Board.
- (3) Calculated using the ratio of the School District's assessed value to Lackawanna County's assessed value.
- (4) Preliminary, subject to change

**Debt Limit and Remaining Borrowing Capacity.** The statutory borrowing limit of the School District under the Local Government Unit Debt Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is the annual arithmetic average of "Total Revenue" for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenue for 2022	\$182,412,789
Total Revenue for 2023 (unaudited)	195,868,670
Total Revenue for 2024 (unaudited)	<u>209,107,962</u>
Total Revenue Past Three Years	\$587,389,421
Annual Arithmetic Average (Borrowing Base)	\$195,796,474

Under the Local Government Unit Debt Act, no school district shall incur any non-electoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net non-electoral debt and lease rental debt then outstanding, would cause the net non-electoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<u>Legal Limit</u>	<u>Gross Direct Debt*</u>	<u>Remaining Borrowing Capacity</u>
Net Non-electoral Debt and Lease Rental Debt Limit 225% of Borrowing Base	\$440,542,066	\$235,870,000	\$204,672,066

\* Estimated, subject to change.

## TAXES AND TAXING POWERS OF THE SCHOOL DISTRICT

### General

Subject to certain limitations imposed by the Taxpayer Relief Act (hereinafter defined), the School District is empowered by the School Code and other statutes to levy the following taxes:

- A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
- An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
  - for minimum salaries and increments of the teaching and supervisory staff;
  - to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
  - to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the School District (but see “The Taxpayer Relief Act, as Amended” and “Status of the Bonds Under the Taxpayer Relief Act” in the front portion of this Official Statement with respect to limitations on this power); and
  - to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
- An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.
- Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax, an occupation tax and an employer paid payroll preparation tax shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth (“STEB”)) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

**TAX LEVY TRENDS**

A summary of tax rates levied by the School District and property tax rates for the School District, Lackawanna County and the City of Scranton is set forth below in the following tables.

Year	School District Real Estate (mills)	Earned Income (%)	Real Estate Transfer (%)	Mercantile Wholesale* (%)	Mercantile Retail* (%)	Business Privilege* (%)	Local Services (\$)
2015	120.40	1.00	0.50	.0452	.0679	.00513	5.00
2016	123.77	1.00	0.50	.0452	.0679	.00513	5.00
2017	123.77	1.00	0.50	.0452	.0679	.00513	5.00
2018	128.47	1.00	0.50	.0452	.0679	.00513	5.00
2019	133.09	1.00	0.50	.0452	.0679	.00513	5.00
2020	137.62	1.00	0.50	.0452	.0679	.00513	5.00
2021	142.99	1.00	0.50	.0452	.0679	.00513	5.00
2022	142.99	1.00	0.50	n/a	n/a	n/a	5.00
2023	142.99	1.00	0.50	n/a	n/a	n/a	5.00
2024	147.85	1.00	0.50	n/a	n/a	n/a	5.00
2025	147.85	1.00	0.50	n/a	n/a	n/a	5.00

Source: Pennsylvania Department of Community and Economic Development and School District Officials.

\*Beginning in calendar year 2022, the School District is no longer assessing current year Business Privilege and Mercantile Taxes and is instead levying a Payroll Preparation Tax. The 2023, 2024 and 2025 Payroll Preparation Tax rate for the School District was 0.7553 percent.

A summary of comparative property tax rates stated as millage on assessed value for the School District, the City of Scranton and Lackawanna County is presented below.

	2020	2021	2022	2023	2024	2025
School District.....	137.62	142.99	142.99	142.99	147.849	147.849
City of Scranton.....	283.085	290.085	290.085	290.085	301.804	301.804
Lackawanna County .....	57.420	63.920	63.920	63.920	67.670	89.73

Source: Pennsylvania Department of Community and Economic Development and School District Officials.

**Real Property Tax**

The School District’s fiscal year is from January 1 through December 31 and tax bills are issued on January 1 of each year. Taxpayers who remit within 60 days receive a 2% discount, and those who remit subsequent to 120 days after July 1 are assessed a 10% penalty. The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The last countywide reassessment was completed in 1964.

Year	Market Value	Assessed Value	Ratio
2014.....	2,282,430,414	397,321,682	17.41%
2015.....	2,273,875,000	395,717,763	17.40%
2016.....	2,304,080,217	392,363,291	17.03%
2017.....	2,286,978,457	388,299,190	16.98%
2018.....	2,286,978,457	388,299,190	16.98%
2019.....	2,365,107,735	387,265,051	16.37%
2020.....	2,481,348,019	386,022,528	15.56%
2021.....	2,471,521,057	384,467,087	15.56%
2022.....	2,681,853,922	373,410,912	13.92%
2023.....	2,732,549,254	377,408,423	13.81%

Source: Pennsylvania State Tax Equalization Board.

<u>Year</u>	<u>Assessed Valuation</u>	<u>Mills</u>	<u>Adjusted Levy</u>	<u>Current Collections</u>	<u>Current Year Collections as % of Total Levy</u>	<u>Total Collections</u>	<u>Total Collections as % of Total Levy</u>
2014	\$398,373,521	114.30	\$45,534,093	\$36,647,672	80.48%	\$38,912,521	85.46%
2015	398,421,682	120.40	47,969,971	37,233,288	77.62%	41,123,304	85.73%
2016	392,905,583	123.77	48,629,924	38,130,216	78.41%	42,594,352	87.59%
2017	388,713,644	123.77	43,739,925	37,370,513	85.44%	41,677,691	95.29%
2018	387,756,703	128.47	45,442,679	39,131,852	86.11%	43,603,870	95.95%
2019	388,713,644	133.09	47,363,359	40,781,030	86.10%	45,411,319	95.88%
2020	384,865,639	137.62	48,612,513	42,205,381	86.82%	48,015,661	98.77%
2021	383,466,255	142.99	50,452,370	45,248,900	89.69%	50,453,873	100.00%
2022	381,848,125	142.99	50,225,617	44,766,173	89.13%	49,097,568	97.75%
2023	381,563,173	147.85	50,900,846	44,809,210	88.03%	49,419,302	97.09%

Source: School District Officials

**Other Taxes**

*Earned Income Tax.* The School District levies a tax of 1.00% on earned income of residents. In 2022, the audited collected portion of this tax yielded \$13,251,326 or approximately 6.79% of total revenue.

*Local Services Tax.* (a.k.a. *Emergency and Municipal Services Tax and Occupational Privilege Tax*). A tax of \$5.00 is levied on each person with an occupation. In 2022, the audited collected portion of this tax yielded \$167,058 or less than 1% of total revenue.

*Real Estate Transfer.* The School District levies a tax of 0.5% of the value of real estate transfers. In 2022, the audited collected portion of this tax yielded \$1,387,420 or less than 1% of total revenue.

*Mercantile Wholesale.* A mercantile wholesale tax of .0452% is imposed on each dollar of gross volume business.

*Mercantile Retail.* A mercantile retail tax of .0679% is imposed on each dollar of gross volume business.

*Business Privilege.* A business privilege tax of .00513% is imposed per \$1,000 of gross annual receipts.

The School District received \$7,181,496 (audited), or 3.68% of total revenue in 2022 from the mercantile wholesale, mercantile retail and business privilege taxes, taken together.

The City converted the current mercantile business privilege tax to a revenue neutral employer paid payroll tax. The District converted the current mercantile business privilege tax to a revenue neutral employer paid payroll tax for the 2023 fiscal year. The District no longer needs to seek voter referendum to make this conversion through legislation adopted by the state. The law requires the revenue to be neutral the first year. However the District has the ability to adjust the rate one time after the initial conversion to maintain the revenue neutral conversion. Thereafter the percentage rate of payroll remains unchanged but the revenue can fluctuate based upon employment development. 2023 unaudited collections of the payroll tax is at \$4,319,898 or \$1,314,144 above the budget of \$3,005,754. The District adjusted down the budget in 2023 to take into consideration slower collections due to the tax conversion as well as the delay in collecting the 4<sup>th</sup> quarter taxes until the 1<sup>st</sup> quarter 2024.

**Ten Largest Taxpayers**

The ten largest real property taxpayers and their assessed values for fiscal year 2024 are shown below.

<u>Taxpayer</u>	<u>Assessed Value</u>
Scranton Hospital Company LLC	\$8,716,777
Scranton Quincy Hospital Co	3,958,950
PR Financing LMTD Partnership*	3,769,120
Moosic 1031 Venture DST*	3,493,436
JBAS Realty LLC	2,922,118
Geisinger Clinic % Ernst A	2,325,000
Stauffer Industrial Owner LP	2,117,808
Pennsylvania-American Water Co	1,737,450
Steamtown 300 LLC	1,686,700
Commonwealth Charter Academy Ch School	<u>1,661,920</u>
 Total	 <u>\$32,389,279</u>
 Total as a % of total assessed value	 8.58%

Source: School District Officials

\*Petition for appeal was filed in the Lackawanna County Court of Common Pleas on November 30, 2023 for each property



**APPENDIX B**  
**REGIONAL DEMOGRAPHIC AND ECONOMIC INFORMATION**

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## REGIONAL DEMOGRAPHIC AND ECONOMIC INFORMATION

The text, charts and tables within this Appendix (unless otherwise footnoted) set forth regional demographic and economic data and descriptions which were obtained from recognized published statistical and governmental reporting services. While the School District does not guarantee the accuracy of such data, it does confirm that the same has been obtained from sources deemed to be reliable and that the School District has no information which would suggest such data is inaccurate or misleading.

### Population

The School District's population increased by 0.3% from 2010 to 2020 and is estimated to have slightly decreased from 2020 to 2023 as indicated below. The table below shows population comparisons for the School District, Lackawanna County, Pennsylvania and the United States.

Municipality:				Percentage Increase/(Decrease)	
	<u>2010</u>	<u>2020</u>	<u>2023<sup>(1)</sup></u>	<u>2010 to 2020</u>	<u>2020 to 2023</u>
School District/City	76,089	76,328	76,074	0.31%	(0.33%)
Lackawanna County	214,437	215,896	215,834	0.68	(0.03)
Pennsylvania	12,702,379	13,002,700	12,986,518	2.36	(0.12)
U.S.	308,745,538	331,449,281	332,387,540	7.35	0.28

Source: Pennsylvania State Data Center; U.S. Bureau of Census.

(1) U.S. Bureau of Census, American Community Survey, 5-year estimates, 2018-2023.

### Age Composition

Municipality:	Median Age		Percent Under 18		Percent 18-64		Percent 65 & Over	
	<u>2020</u>	<u>2023<sup>(1)</sup></u>	<u>2020</u>	<u>2023<sup>(1)</sup></u>	<u>2020</u>	<u>2023<sup>(1)</sup></u>	<u>2020</u>	<u>2023<sup>(1)</sup></u>
School District/City	38.3	37.7	20.2%	20.6%	61.5%	61.1%	18.3%	18.3%
Lackawanna County	42.6	41.9	19.6	20.5	59.7	59.2	20.7	20.3
Pennsylvania	41.0	40.9	20.4	20.6	60.5	60.3	19.1	19.1
U.S.	38.8	38.7	22.1	22.2	61.1	61.0	16.8	16.8

Source: Pennsylvania State Data Center; U.S. Bureau of Census.

(1) U.S. Bureau of Census, American Community Survey, 5-year estimates, 2018-2023.

### Income

Municipality:	Household Median		Family Median		Percentage of Families in Poverty	
	<u>2020<sup>(1)</sup></u>	<u>2023<sup>(2)</sup></u>	<u>2020<sup>(1)</sup></u>	<u>2023<sup>(2)</sup></u>	<u>2020<sup>(1)</sup></u>	<u>2023<sup>(2)</sup></u>
School District/City	\$41,687	\$49,531	\$56,042	\$64,891	17.4%	18.5%
Lackawanna County	54,064	64,691	70,489	84,837	10.3	10.7
Pennsylvania	63,627	76,081	80,996	97,349	8.1	8.1
U.S.	64,994	78,538	80,069	96,922	9.1	8.7

Source: Pennsylvania State Data Center; U.S. Bureau of Census.

(1) U.S. Bureau of Census, American Community Survey 5-year estimates, 2015-2020.

(2) U.S. Bureau of Census, American Community Survey 5-year estimates, 2018-2023.

### Housing Characteristics

	Total Housing Units		Percentage Occupied		Vacant <sup>(1)</sup>		Median Value Owner Occupied
	<u>2020</u>	<u>2023<sup>(2)</sup></u>	<u>2020</u>	<u>2023<sup>(2)</sup></u>	<u>2020</u>	<u>2023<sup>(2)</sup></u>	<u>2023<sup>(2)</sup></u>
School District/City	34,723	35,623	86.9%	85.2%	13.1%	14.8	\$141,700
Lackawanna County	99,815	100,013	88.9	88.3	11.1	11.7	189,900
Pennsylvania	5,742,828	5,779,663	90.7	90.6	9.3	9.4	240,500
U.S.	140,498,736	142,332,876	90.3	89.6	9.7	10.4	303,400

Source: Pennsylvania State Data Center, U.S. Bureau of Census.

(1) Includes seasonal, recreational or occasional use housing units.

(2) U.S. Bureau of Census, American Community Survey 5-year estimates, 2018-2023.

## Occupied Housing

Municipality:	Total Occupied	Total Owner Occupied		Total Renter Occupied	
	Units	Units	%	Units	%
School District/City	30,342	15,377	50.7	14,965	49.3
Lackawanna County	88,266	57,698	65.4	30,568	34.6
Pennsylvania	5,235,339	3,629,624	69.3	1,605,715	30.7
U.S.	127,482,865	82,892,037	65.0	44,590,828	35.0

Source: U.S. Bureau of Census, American Community Survey 5-year estimates 2018-2023

## Medical Facilities

There are 3 general acute care hospitals, one rehabilitation hospital and one psychiatric hospital that serve Lackawanna County. These hospitals, their licensed bed capacities and number of full-time and part-time employees are as follows:

<u>Institution</u>	<u>Location</u>	<u>Licensed Beds</u>	<u>Staff</u>	
			<u>Full-Time</u>	<u>Part-Time</u>
Allied Services Inst. of Rehabilitation Medicine	Scranton	50	112	121
Clarks Summit State Hospital (Psychiatric)	Clarks Summit	203	340	7
Geisinger - Community Medical Center	Scranton	262	1,550	454
Lehigh Valley Hospital – Dickson City	Dickson City	33	243	68
Regional Hospital of Scranton	Scranton	308	862	319

Source: Pennsylvania Department of Health, Bureau of Health Statistics; 2023 reporting period.

## Transportation

*Highways.* Interstate 81 traverses through the City. The City is adjacent to the Borough of Dunmore, the location of the intersection of Interstates 81, 84 and 380 and the starting point for the Robert Casey Industrial Highway. Interstate 81 gives residents access to the Northeast Extension of the Pennsylvania Turnpike.

*Bus Service.* The City is served by the County of Lackawanna Transit System (“COLTS”). Long distance bus service is available through Martz and Greyhound Bus Lines in the City.

*Air Service.* The Wilkes-Barre/Scranton International Airport is located in Luzerne County, providing passenger and freight service to all parts of the United States, plus many international destinations.

## Utilities and Communications

*Sewer.* Sewer service is provided to City households by the Scranton Sewer Authority.

*Water.* Water service to residents of the City is provided by Pennsylvania-American Water Company.

*Electricity and Gas.* Electricity is provided to City residents by PPL. Gas is provided by UGI Penn Natural Gas.

*Telephone.* Telephone service is provided by Verizon and by other telephone companies.

## Higher Education

Lackawanna County is endowed with a range of institutions of higher learning. The two larger, private institutions offering undergraduate and graduate degrees in the County are the University of Scranton and Marywood University in Scranton, which recently reported approximate enrollments of over 5,000, and over 2,900 respectively. Keystone College in LaPlume, with an enrollment of approximately 1,500, was given formal approval to offer 4-year degree programs in 1998. Lackawanna College, which offers 2-year degree programs, operates from its main campus in Scranton, with over 1,400 students attending classes there and at its off-campus sites in Hazleton, Honesdale and Towanda. Johnson College, located in Scranton, which offers clinical and technological associate degrees, has recently estimated its student enrollment at 455. Pennsylvania State University — Worthington Campus, is located in Dunmore. There are several colleges and universities located in Luzerne County that are within an easy commute. These include Kings College and Wilkes University in Wilkes-Barre and Misericordia University in Dallas.

**Recreation**

School District residents have access to a variety of recreational facilities through public, private and quasi-public agencies. These include a wide range of recreational facilities featuring, the New York Yankees' affiliated Scranton/Wilkes-Barre Triple A baseball team, the Wilkes-Barre/Scranton Penguins of the American Hockey League, a Convention Center/Civic Arena, over 40 golf courses, including Glenmaura National Golf Club in Moosic, parks, playgrounds, the Pocono Mountain ski resorts, Pocono Downs harness racing, and the nearby Pocono International Raceway which hosts NASCAR, SCCA, and IMSA racing.

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## ECONOMY

### Classification of Employment by Industry

The following is a breakdown of employment in the Scranton, Wilkes-Barre, Hazleton Metropolitan Statistical Area for November 2024 from the Pennsylvania Department of Labor & Industry.

<b>SCRANTON-WILKES-BARRE-HAZLETON METROPOLITAN STATISTICAL AREA</b>						
(Lackawanna, Luzerne, and Wyoming counties)						
November 2024						
<b>NONFARM JOBS - NOT SEASONALLY ADJUSTED</b>						
ESTABLISHMENT DATA	Industry Employment				Net Change From:	
	Nov 2024	Oct 2024	Sep 2024	Nov2023	Oct 2024	Nov 2023
<b>TOTAL NONFARM</b>	<b>275,400</b>	274,200	272,200	271,600	1,200	3,800
<b>TOTAL PRIVATE</b>	<b>246,000</b>	244,900	243,000	242,400	1,100	3,600
<b>GOODS-PRODUCING</b>	<b>40,600</b>	40,900	41,000	41,100	-300	-500
Mining, Logging, and Construction	10,700	11,000	11,000	10,900	-300	-200
Manufacturing	29,900	29,900	30,000	30,200	0	-300
Durable Goods	13,700	13,700	13,700	13,500	0	200
Non-Durable Goods	16,200	16,200	16,300	16,700	0	-500
<b>SERVICE-PROVIDING</b>	<b>234,800</b>	233,300	231,200	230,500	1,500	4,300
<b>PRIVATE SERVICE-PROVIDING</b>	<b>205,400</b>	204,000	202,000	201,300	1,400	4,100
<b>Trade, Transportation, and Utilities</b>	<b>71,100</b>	69,400	68,700	70,500	1,700	600
Wholesale Trade	10,000	10,100	10,000	10,000	-100	0
Retail Trade	29,400	28,700	28,300	29,200	700	200
Grocery and convenience retailers	6,300	6,200	6,200	6,400	100	-100
General merchandise retailers	5,700	5,500	5,300	5,600	200	100
Transportation, Warehousing, and Utilities	31,700	30,600	30,400	31,300	1,100	400
<b>Information</b>	<b>2,800</b>	2,800	2,900	2,900	0	-100
<b>Financial Activities</b>	<b>11,600</b>	11,600	11,600	11,500	0	100
<b>Professional and Business Services</b>	<b>29,900</b>	30,200	29,800	29,400	-300	500
<b>Education and Health Services</b>	<b>57,500</b>	57,100	55,900	55,200	400	2,300
Educational services	10,900	10,700	9,900	10,700	200	200
Health care and social assistance	46,600	46,400	46,000	44,500	200	2,100
Hospitals	8,100	8,000	8,000	7,800	100	300
<b>Leisure and Hospitality</b>	<b>23,400</b>	23,800	24,000	22,900	-400	500
Accommodation and food services	20,100	20,300	20,400	19,800	-200	300
Food services and drinking places	17,800	18,000	18,100	17,600	-200	200
<b>Other Services</b>	<b>9,100</b>	9,100	9,100	8,900	0	200
<b>Government</b>	<b>29,400</b>	29,300	29,200	29,200	100	200
Federal Government	4,500	4,500	4,600	4,500	0	0
State Government	5,500	5,500	5,500	5,500	0	0
Local Government	19,400	19,300	19,100	19,200	100	200
Local government educational services	12,000	11,900	11,500	11,800	100	200
Local government excluding educational services	7,400	7,400	7,600	7,400	0	0
Data benchmarked to March 2023	***Data changes of 100 may be due to rounding***					

**Trends in Employment and Unemployment – Lackawanna County**

Year	County Civilian Labor Force	Total Employment	Percentage Unemployed	
			County	Pennsylvania
2013	107,200	98,600	8.0	7.4
2014	106,600	99,500	6.6	5.9
2015	106,500	100,100	5.9	5.4
2016	107,100	101,100	5.6	5.3
2017	106,900	101,300	5.2	5.0
2018	106,600	101,600	4.7	4.4
2019	106,500	101,400	4.8	4.3
2020	105,400	95,500	9.4	8.9
2021	103,700	97,100	6.3	5.9
2022	104,900	100,300	4.4	4.1
2023	105,500	101,600	3.7	3.4
2024 <sup>(P)</sup>	105,100	101,600	3.4	3.3

Source: United States Department of Labor, Bureau of Labor Statistics.

(P) Preliminary, as of November 2024

**Major Employers in Lackawanna County**

<u>Employer</u>	<u>Product/Service</u>
Allied Services Foundation	Health Care and Social Assistance
Community Medical Center	Health Care and Social Assistance
Scranton School District	Educational Services
Scranton Hospital Company LLC	Health Care and Social Assistance
Lackawanna County	Public Administration
Pennsylvania State Government	Public Administration
Wal-Mart Associates Inc	Retail Trade
University of Scranton	Higher Education
Amazon.com Services Inc	Retail Distribution
Chewy Inc	Retail Trade

Source: PA Department of Labor and Industry, Lackawanna County Profile Q2 of 2024

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**Appendix C**

**School District Audited Financial Statements - December 31, 2022**

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**The School District of  
the City of Scranton  
Scranton, Pennsylvania  
Lackawanna County**

Financial Statements  
Year Ended December 31, 2022



1835 Market Street, 3rd Floor  
Philadelphia, PA 19103

215/567-7770 | [bbdcpa.com](http://bbdcpa.com)

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# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

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# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
The School District of the City of Scranton  
Scranton, Pennsylvania**

### **Opinions**

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

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

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

#### **Report on Summarized Comparative Information**

We have previously audited the School District of the City of Scranton's 2021 financial statements, and our report dated November 2, 2022, expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability-PSERS and pension plan contributions – PSERS, schedule of changes in OPEB liability – single employer plan and the schedules of the District's proportionate share of the net OPEB liability-PSERS and OPEB plan contributions – PSERS on pages 4 through 16 and 52 through 57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of the City of Scranton's basic financial statements. The budgetary comparison schedules – General Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.



The budgetary comparison schedules – General Fund and the schedule of expenditures of federal awards and certain state grants are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules – General Fund and the schedule of expenditures of federal awards and certain state grants are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2024, on our consideration of the School District of the City of Scranton’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District of the City of Scranton’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District of the City of Scranton’s internal control over financial reporting and compliance.

**BBD, LLP**

**Philadelphia, Pennsylvania  
April 9, 2024**

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

---

Management's discussion and analysis ("**MD&A**") of the financial performance of the School District of the City of Scranton (the "**District**") provides an overview of the District's financial performance for fiscal year ended December 31, 2022. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

### DISTRICT PROFILE

The District consists of seventeen schools – ten elementary schools, three intermediate schools, two high schools and two alternative education schools for all grades, consisting of approximately 9,280 students. The District is an urban public school district in Lackawanna County, Pennsylvania located in northeastern Pennsylvania. The City of Scranton is home to approximately 76,500 people. There are approximately 1,176 full-time employees in the District including 752 professional employees, 52 administrators and 372 support staff.

The mission of the School District of the City of Scranton is to educate, inspire and empower students.

### FINANCIAL HIGHLIGHTS

- On a government-wide basis, including all governmental activities and the business-type activities, the liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows resulting in a deficit in total net position at the close of the 2022 fiscal year of \$288,925,868. During the 2022 fiscal year, the District had an increase in total net position of \$29,603,565. The net position of governmental activities increased by \$27,715,680 and the net position of business-type activities increased by \$1,887,885.
- The General Fund reported an increase in fund balance of \$1,399,252, bringing the cumulative balance to \$18,350,054 at the conclusion of the 2022 fiscal year.
- At December 31, 2022, the General Fund fund balance is \$18,350,054, of which \$2,500,000 is committed for capital improvements and \$15,850,054 is considered unassigned and represents 7.32% of the \$216,506,714 2023 General Fund expenditure budget.
- Total General Fund revenues and other financing sources were \$575,542 or 0.29% less than budgeted amounts and total General Fund expenditures and other financing uses were \$1,974,798 or 1.01% less than budgeted amounts resulting in a net positive variance of \$1,399,256.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

---

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position (Deficit)* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the District's activities are divided into two categories:

#### **Governmental Activities**

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

#### **Business-Type Activities**

The District's business-type activities charge a fee to cover the cost of certain services it provides. The District's food service activities are reported as a business type activity. In addition, the District generates revenue from advertising agreements and other charges for service (e.g. concessions) at the Scranton High School's Memorial Stadium that is to be used for future capital projects at Memorial Stadium.

The government-wide financial statements can be found on Pages 17 and 18 of this report.

### FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

#### **Governmental Funds**

Most of the District's activities are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**December 31, 2022**

---

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 funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the three major funds and the one non-major fund.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 19 through 22 of this report.

### ***Proprietary Funds***

The District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund and Memorial Stadium Fund are reported as enterprise funds of the proprietary fund type. Internal service funds are used to accumulate and allocate certain costs internally among the District's various functions. The District uses its internal service fund to account for the District's self-funded workers compensation program. Because an internal service fund predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements can be found on Pages 23 through 25 of this report.

### ***Fiduciary Funds***

The District is the trustee, or fiduciary, for assets that belong to others, consisting of scholarship and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on Pages 26 and 27 of this report.

### ***Notes to the Financial Statements***

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 28 through 51 of this report.

### ***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund, schedules of the District's proportionate share of the net pension liability and pension plan contributions-PSERS, schedule of changes in OPEB liability – single employer plan and the schedules of the District's proportionate share of the net OPEB liability and OPEB plan contributions-PSERS, as well as additional analysis for General Fund revenue and expenditure budgetary comparison schedules.

The required supplementary information and additional analysis can be found on Pages 52 through 62 of this report.

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# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2022 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$288,925,868. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at December 31, 2022 and 2021.

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>						
Current assets	\$ 84,179,668	\$ 86,665,233	\$ 9,676,883	\$ 7,679,233	\$ 93,856,551	\$ 94,344,466
Noncurrent assets	97,914,682	81,033,630	345,935	357,107	98,260,617	81,390,737
<b>Total assets</b>	<u>182,094,350</u>	<u>167,698,863</u>	<u>10,022,818</u>	<u>8,036,340</u>	<u>192,117,168</u>	<u>175,735,203</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>38,604,631</u>	<u>29,170,016</u>	<u>-</u>	<u>-</u>	<u>38,604,631</u>	<u>29,170,016</u>
<b>LIABILITIES</b>						
Current liabilities	19,220,737	17,901,693	537,953	439,360	19,758,690	18,341,053
Noncurrent liabilities	465,271,199	446,118,391	-	-	465,271,199	446,118,391
<b>Total liabilities</b>	<u>484,491,936</u>	<u>464,020,084</u>	<u>537,953</u>	<u>439,360</u>	<u>485,029,889</u>	<u>464,459,444</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>34,617,778</u>	<u>58,975,208</u>	<u>-</u>	<u>-</u>	<u>34,617,778</u>	<u>58,975,208</u>
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital assets	(72,812,284)	(78,464,743)	345,935	357,107	(72,466,349)	(78,107,636)
Restricted	323,161	321,775	-	-	323,161	321,775
Unrestricted (deficit)	(225,921,610)	(247,983,445)	9,138,930	7,239,873	(216,782,680)	(240,743,572)
<b>Total net position (deficit)</b>	<u>\$(298,410,733)</u>	<u>\$(326,126,413)</u>	<u>\$ 9,484,865</u>	<u>\$ 7,596,980</u>	<u>\$(288,925,868)</u>	<u>\$(318,529,433)</u>

The District's total assets as of December 31, 2022 were \$192,117,168 of which \$64,539,125 or 33.59% consisted of cash and \$98,260,617 or 51.15% consisted of the District's investment in capital assets. The District's total liabilities as of December 31, 2022 were \$485,029,889 of which \$208,613,135 or 43.01% consisted of general obligation debt used to acquire and construct capital assets and \$200,686,671 or 41.38% consisted of the actuarially determined PSERS net pension liability.

The District had a deficit in unrestricted net position of \$216,782,680 at December 31, 2022. The District's unrestricted net position increased by \$23,960,892 during 2022 primarily due to the current year results of operations and the changes in the net pension other post-employment liabilities and related deferred outflows and inflows of resources.

A portion of the District's net position reflects its restricted net position which totaled \$323,161 as of December 31, 2022. All of the District's restricted net position related to amounts restricted for debt service expenditures.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended December 31, 2022, the District's net investment in capital assets increased by \$5,641,287 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated.

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

The following table presents condensed information for the *Statement of Activities* of the District for 2022 and 2021:

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 121,810	\$ 6,216	\$ 210,717	\$ 158,718	\$ 332,527	\$ 164,934
Operating grants and contributions	58,177,552	47,203,037	7,915,585	4,179,138	66,093,137	51,382,175
Capital grants and contributions	7,467,776	4,398,502	-	-	7,467,776	4,398,502
<b>General revenues</b>						
Property taxes levied for general purposes	47,974,130	49,544,255	-	-	47,974,130	49,544,255
Earned income taxes levied for general purposes	13,251,326	11,324,647	-	-	13,251,326	11,324,647
Other taxes levied for general purposes	8,797,577	8,177,972	-	-	8,797,577	8,177,972
Grants and entitlements not restricted to specific programs	58,359,521	52,585,508	-	-	58,359,521	52,585,508
Investments earnings	650,808	59,784	35,043	8,607	685,851	68,391
Other	254,014	105,825	-	-	254,014	105,825
<b>Total revenues</b>	<u>195,054,514</u>	<u>173,405,746</u>	<u>8,161,345</u>	<u>4,346,463</u>	<u>203,215,859</u>	<u>177,752,209</u>
<b>EXPENSES</b>						
Instruction	113,332,496	99,222,157	-	-	113,332,496	99,222,157
Instructional student support services	8,849,689	7,516,488	-	-	8,849,689	7,516,488
Administrative and financial support services	13,315,988	10,981,411	-	-	13,315,988	10,981,411
Operation and maintenance of plant services	18,179,258	13,206,206	-	-	18,179,258	13,206,206
Pupil transportation	5,605,869	3,161,790	-	-	5,605,869	3,161,790
Student activities	1,166,094	906,564	-	-	1,166,094	906,564
Community services	154,829	25,335	-	-	154,829	25,335
Interest and amortization expense related to noncurrent liabilities	7,234,611	8,412,320	-	-	7,234,611	8,412,320
Food service	-	-	5,768,410	3,548,920	5,768,410	3,548,920
Memorial stadium	-	-	5,050	15,615	5,050	15,615
<b>Total expenses</b>	<u>167,838,834</u>	<u>143,432,271</u>	<u>5,773,460</u>	<u>3,564,535</u>	<u>173,612,294</u>	<u>146,996,806</u>
<b>Change in net position before transfers</b>	27,215,680	29,973,475	2,387,885	781,928	29,603,565	30,755,403
<b>TRANSFERS</b>	500,000	-	(500,000)	-	-	-
<b>CHANGE IN NET POSITION (DEFICIT)</b>	<u>\$ 27,715,680</u>	<u>\$ 29,973,475</u>	<u>\$ 1,887,885</u>	<u>\$ 781,928</u>	<u>\$ 29,603,565</u>	<u>\$ 30,755,403</u>

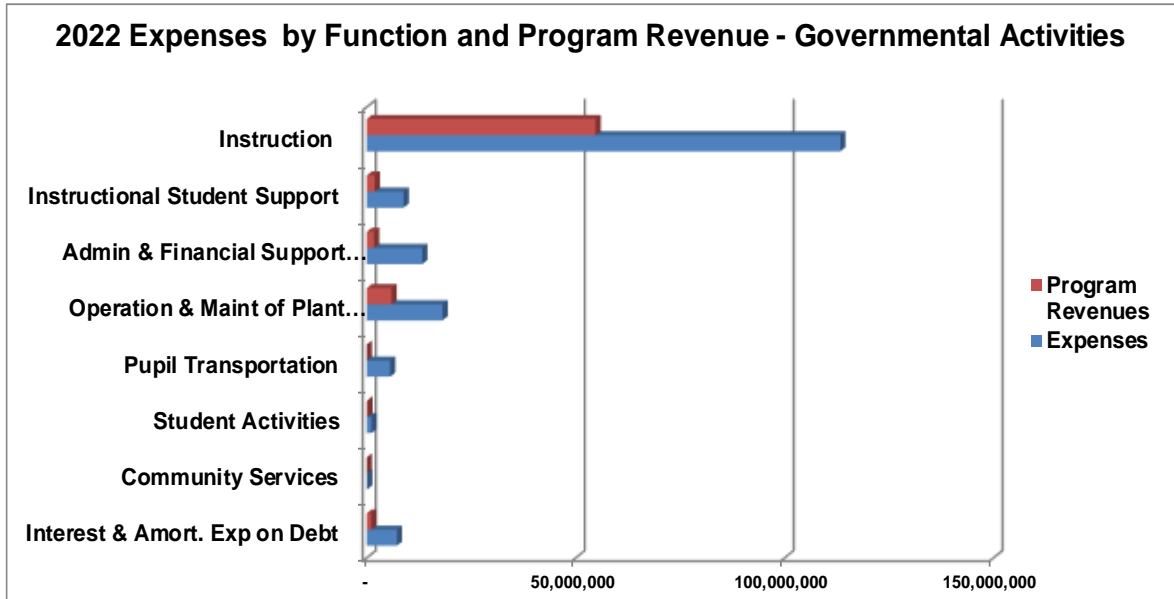
Overall, the District's financial position continues to improve but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have the potential to offset these gains. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors.

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

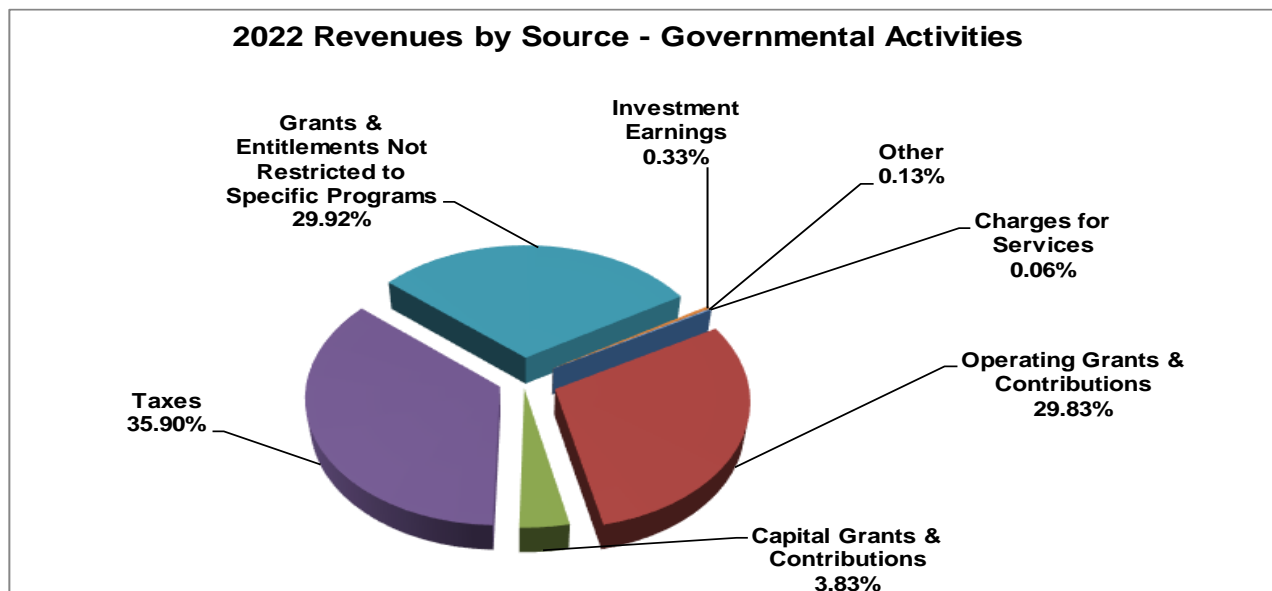
## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting, raising enough program revenue to cover their costs, as most traditional governmental services are not.



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on intergovernmental revenues to finance its governmental activities.



# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

### GOVERNMENTAL FUNDS

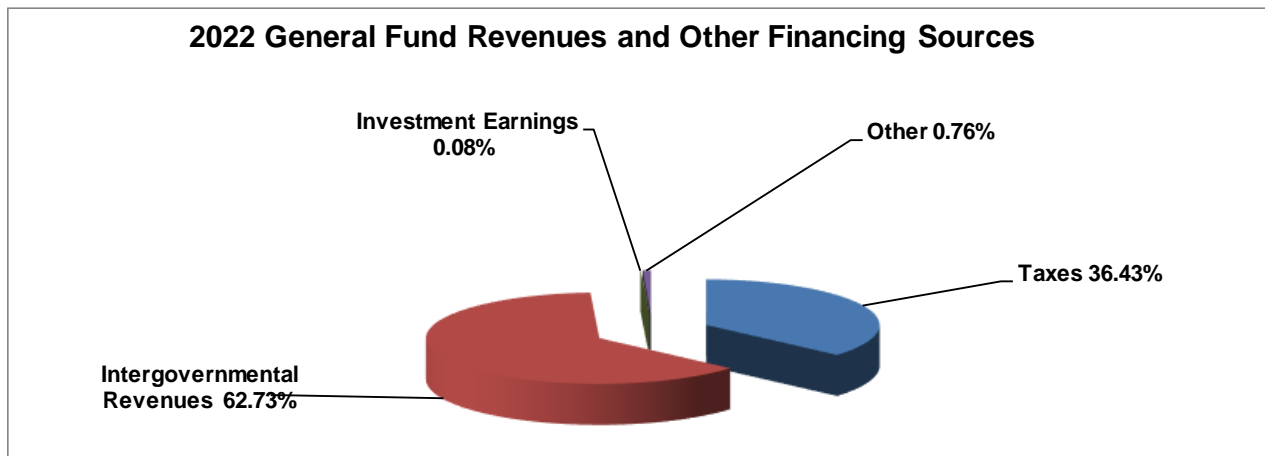
The governmental fund financial statements provide detailed information on the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of December 31, 2022, the District's governmental funds reported a combined fund balance of \$42,459,384 which is a decrease of \$4,865,784 from the prior year. The following table summarizes the District's total governmental fund balances as of December 31, 2022 and 2021 and the total 2022 change in governmental fund balances.

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>
General Fund	\$18,350,054	\$16,950,802	\$ 1,399,252
Capital Projects Fund	23,786,169	30,052,591	(6,266,422)
Debt Service Fund	<u>323,161</u>	<u>321,775</u>	<u>1,386</u>
	<u>\$42,459,384</u>	<u>\$47,325,168</u>	<u>\$(4,865,784)</u>

### GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2022 fiscal year, the General Fund fund balance was \$18,350,054 representing an increase of \$1,399,252 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2022 fiscal year.

The District's reliance upon state and federal subsidies and grants is demonstrated by the graph below that indicates 62.73% of General Fund revenues are derived from intergovernmental revenues.



### General Fund Revenues and Other Financing Sources

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$ 71,229,985	\$ 70,019,685	\$ 1,210,300	1.73
Intergovernmental revenues	122,633,321	103,312,512	19,320,809	18.70
Investment earnings	152,428	46,843	105,585	225.40
Other	<u>1,493,866</u>	<u>987,650</u>	<u>506,216</u>	<u>51.25</u>
	<u>\$195,509,600</u>	<u>\$174,366,690</u>	<u>\$21,142,910</u>	<u>12.13</u>

Net tax revenues increased by \$1,210,300 or 1.73% primarily due to an increase in collections for earned income, and business privilege taxes. These increases were offset by decreases in collections for current year and delinquent real estate taxes. The District maintained the prior year millage rate and experienced a 1.10% reduction in current year collections primarily due to an approximate 0.24% decrease in total taxable assessed value and 0.68% reduction in overall collection rate.



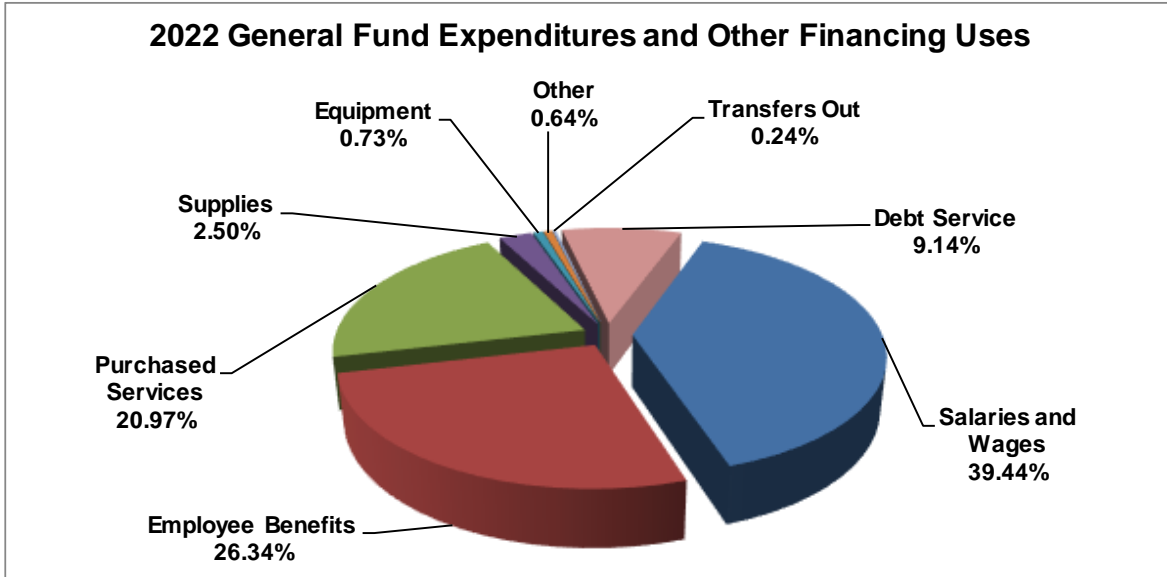
# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

Intergovernmental revenues increased by \$19,320,809 or 18.70% primarily due to an increase in the state appropriation for the basic and special education subsidies including the level one supplement, an increase in expenditures through the Elementary and Secondary School Emergency Relief Fund ("**ESSER**") and an increase in the retirement subsidy that increased commensurate with the increase in salaries and wages and the employer contribution rate.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is labor intensive.



### General Fund Expenditures and Other Financing Uses

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 76,545,834	\$ 63,719,832	\$ 12,826,002	20.13
Employee benefits	51,133,283	47,013,097	4,120,186	8.76
Purchased services	40,709,634	29,728,383	10,981,251	36.94
Supplies	4,858,177	8,095,508	(3,237,331)	(39.99)
Equipment	1,417,399	3,057,115	(1,639,716)	(53.64)
Other	1,238,793	551,824	686,969	124.49
Debt service	17,733,129	17,165,771	567,358	3.31
Transfers out	474,099	460,000	14,099	13.07
	<u>\$194,110,348</u>	<u>\$169,791,530</u>	<u>\$24,318,818</u>	<u>14.32</u>

Salaries and wages increased by \$12,826,002 or 20.13% in 2022 compared to 2021. The primary cause of the increase was due to the negotiated salary increases for the District's bargaining units and administrative associations, including the Scranton Federation of Teachers, SEIU 32 BJ Maintenance and Clerical and Administrative Act 93 Association. The increases also included two (2) retroactive salary adjustment payments for the Scranton Federation of teachers at an approximate cost of \$2.5 million. Additionally, the increases were partially impacted by the District operating a full year of in-person instruction as compared to 2021 when the District operated under a remote learning model until April 2021 which resulted in lower costs related to extra compensation, typically due to covering classes and or duties, which were reduced during remote learning.

Employee benefit expenditures increased by \$4,120,186 or 8.76% due primarily to increases in health insurance costs and the employer retirement contribution rate increased from 34.94% in 2021-2022 to 35.26% in 2022-2023.

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

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Purchased services increased by \$10,981,251 or 36.94% in 2022 compared to 2021 primarily related to an increase in existing building improvements, student transportation services, contracted special education services and new contracted safety and security department established in 2022 which was partially offset by a decrease in tuition for students enrolled in cyber and charter schools. Student transportation services increases in 2022 compared to 2021 were the result of the District operating in a remote learning environment due to COVID-19 during 2021. Increases in existing building improvements were the result of utilizing ESSER funding to repair and replace existing roof systems, abatement environmental health concerns and improve HVAC and mechanical systems.

Supplies decreased by \$3,237,331 or 33.99% in 2022 compared to 2021 primarily due to decreased costs related to District utilizing ESSER funding to update curriculum related math, history, English language arts, social and emotional learning and cyber platforms to address learning loss as a result of COVID-19 in 2021.

Equipment decreased by \$1,639,716 or 53.64% in 2022 compared to 2021 primarily due to the District purchasing approximately 10,000 chromebook and devices with ESSER funding in calendar year 2021 to allow students to participate in online learning while the District operated in a remote of hybrid learning model. Purchases made in 2022 were only to replace damaged or end of life devices resulting in a decrease in cost in 2022 as compared to 2021.

Debt service expenditures increased by \$567,358 or 3.31% in 2022 as compared to 2021 due to the issuance mainly attributed to the increase in principal and interest related to the Series of 2020 General Obligation Bonds necessary for capital improvements offset by the retirement of principal and interest payments under the Series of 2011C General Obligations Bonds in 2021.

### CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2022, the fund balance in the Capital Projects Fund decreased by \$6,266,422 primarily due to repairs and improvements made to District buildings as a result of District's capital improvement plan. The fund balance of \$23,786,169 as of December 31, 2022 is restricted for future capital expenditures.

### DEBT SERVICE FUND

The Debt Service Fund accounts for the interest and principal payments due on the District's outstanding general obligation debt. Transfers are made during the year from the General Fund to finance debt service payments as they become due. During 2022, the Debt Service Fund balance increased by \$ 1,386. As of December 31, 2022, the fund balance in the Debt Service Fund was \$323,161 and is restricted for future debt service expenditures.

### GENERAL FUND BUDGET INFORMATION

The District maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the Board of School Directors for approval prior to the beginning of the fiscal year on January 1 each year. The most significant budgeted fund is the General Fund.

Total General Fund revenues and other financing sources were \$575,542 or 0.29% less than budgeted amounts and total General Fund expenditures and other financing uses including budgetary reserve were \$1,974,798 or 1.01% less than budgeted amounts resulting in a net positive variance of \$1,399,256. Major budgetary highlights for 2022 were as follows:

- Total local source revenues were \$3,547,600 more than budgeted amount primarily due to a positive variance on current real estate taxes and earned income taxes. The District experienced a higher current year real estate tax collection rate as compared to budget as well as an increase in earned income tax than anticipated at the time of budget development.

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

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- Total state source revenues were \$2,206,665 more than budgeted amounts primarily due to the District receiving an increase in basic education subsidy including the level one supplement as compared to budgeted assumptions. The increase above budget was \$4,516,957, which was offset by reductions in state reimbursement for employer payroll taxes and retirement as a result of lower salaries and wages than budgeted amounts.
- Total federal source revenues were \$5,894,807 less than budgeted amounts primarily due to the timing of projects and programs anticipated to be funded with ESSER funding.
- Total expenditures related to salary and benefits were less than budget by \$6,488,408, which is attributable primarily to expenses related to other instructional programs, including summer and after school programs, being \$3,359,860 less than budget. Employee benefit costs were less than budget by \$3,128,548 due primarily to lower employer payroll taxes and employer share of retirement due to the decrease in salary and lower than anticipated healthcare and workers compensation costs in part due to reclassified workers compensation costs to General Fund transfers out as described below under dues, fees, and other financing sources.
- Total expenditures related to purchased services were more than budget by \$3,952,261. This is mainly attributed to a few factors. The District saw an increase in unbudgeted improvements to existing school buildings at a cost of \$2,206,654 funded with ESSER and an increase in contracted special education services in the amount of \$1,727,062, of which \$907,343 was funded with ESSER or Medical ACCESS. The contracted services were primarily related to school psychologist, speech therapist, occupational and physical therapists, LPN's and personal care assistants unable to be staffed by the District.
- Total expenditures related to supplies were more than budget by \$965,777 mainly attributable due to increased costs related to the District utilizing ESSER funding to update curriculum technology and to purchase supplies to address learning loss and maintain a safe and healthy learning environment as a result of COVID-19.
- Total expenditures related to debt service, dues, fees and other financing uses were more than budget by \$863,759 primarily due to an unbudgeted real estate tax assessment settlement in the amount of \$1,299,926 of which \$649,963 was due and paid in 2022 and an unbudgeted transfer out in the amount of \$474,099 for workers compensation expenses budgeted for in employee benefits.

### BUSINESS-TYPE ACTIVITIES

As of December 31, 2022, the business-type activities had a net position of \$9,484,865. The net position of the Food Service Fund was \$9,313,958 and the net position of the Memorial Stadium Fund was \$170,907. During 2022, the net position of the business-type activities increased by \$1,887,885. The net position of the Food Service Fund increased by \$2,342,108 and the net position of the Memorial Stadium Fund decreased by \$454,223.

### CAPITAL ASSETS

The District's investment in capital asset for its governmental and business-type activities as of December 31, 2022 amounted to \$98,260,617 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture and equipment and textbooks. The total increase in the District's investment in capital assets for the current fiscal year was \$16,869,880 or 20.73%. The increase was the result of current year capital additions in excess of depreciation expense.

Current year capital additions were \$22,956,589 and depreciation expense was \$6,086,709.

Major capital additions for the current fiscal year included the following:

• Neil Armstrong Elementary School renovations – construction in progress	\$6,316,859
• Memorial Stadium Bleacher upgrades – construction in progress	\$3,044,736
• West Scranton Intermediate School renovations and roof project - construction in progress	\$2,951,376
• West Scranton High School roof replacement – construction in progress	\$2,339,038

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# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

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### NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$208,613,135 consisting of \$149,715,000 in bonds payable, \$56,405,000 in notes payable, \$68,233 in bond discounts, and \$2,561,368 in bond premiums. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt increased by \$712,171 or 0.34% during the current fiscal year.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The current debt limitation for the District is \$399,964,818 which exceeds the District's outstanding general obligation debt as of December 31, 2022.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$200,686,671 as of December 31, 2022. The District's net pension liability increased by \$31,409,773 or 18.56% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$25,090,807 as of December 31, 2022. The District's OPEB liability decreased by \$8,146,379 or 24.51% during the fiscal year.

Other noncurrent liabilities of the District's liabilities for compensated absences, retirement incentives and a collateralized borrowing repayable from pledged delinquent real estate tax revenues, which totaled \$28,626,094 as of December 31, 2022. These liabilities decreased by \$1,726,577 or 5.69% during the fiscal year.

The District uses swap contracts that have fixed interest payments made in exchange for variable interest payments received based on an underlying interest rate index. These interest payments received are meant to offset the variable interest cost of the hedged bond. These are considered hedging derivative instruments, and are used to reduce financial risks, such as offsetting increases in interest rate costs. As of December 31, 2022, the District had one interest rate swap related to its general obligation bonds, Series of 2014.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

- On February 1st, 2019, the District was placed in Financial Recovery Status and is subject to the provisions of Article VI-A of the Public School Code that apply to Moderate Financial Recovery School Districts as defined in section 651-A, 24 P.S. § 6-651-A. This designation required the appointment of a Chief Recovery Officer, appointed February 5th, 2019, who is charged with the developing a financial recovery plan for the District. The financial recovery plan was accepted by the Scranton School District Board of Directors on August 15th, 2019. Additionally, on January 10<sup>th</sup>, 2022 the District exited from Financial Recovery Status and entered a five year monitoring phase with the Pennsylvania Department of Education. The appointment of a Chief Recovery Officer and financial recovery plan still remain in effect.
- The District adopted a balanced 2023 budget totaling \$216,506,714 that included a real estate tax millage rate of 147.8486 or a 3.41% increase from 2022.
- The District Recovery Plan requires the District to increase taxes to the Act 1 limit yearly unless other increases in revenues or decreases in expenses can be identified to ensure a balanced budget. Each spring the District prepares and adopts a preliminary budget with a tax increase necessary to ensure a balanced budget and applies annually for exceptions to the Act 1 Index if required to balance the annual budget. The 2023 budget did not require the levy of a tax increase to the Act 1 Index of 5.21%, rather an increase of 3.41% was adopted.

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

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- The 2022-2023 Commonwealth of Pennsylvania budget included a 11.10% increase of \$783,351,000 for basic education funding including \$125,000,000 increase in level up supplement and an 8.10% increase of \$100,000,000 for special education funding above the 2021-2022 levels. The 2023-2024 Commonwealth of Pennsylvania budget included a 7.77% increase of \$567,365,000 for basic education funding and includes adding the \$225,000,000 level up supplement into the base basic education funding allocation. There was no additional funding for the level up supplement in the 2023-2024 budget. Additionally, there was a 3.70% increase of \$50,000,000 for special education funding above the 2022-2023 levels. The 2023 District budget included approximately 53.18% of total revenue provided by the Commonwealth of Pennsylvania, while local sources of revenue, primarily property taxes provide approximately 32.85% of total revenue.
- In 2006, Act 1 was passed which repealed Act 72, which provides taxpayer relief through gambling revenues generated at the State level. The intent of this legislation is to provide a mechanism to relieve the burden of funding public education from property owners. This new legislation has put a "ceiling" on the percentage increase of local real estate taxes that can be levied year-to-year in order to balance the school district budget. Pennsylvania school districts are now required to either change their taxing strategies to make up for the shortfall of increases in real estate tax refunds or seek the taxpayers' approval through back-end referendum to increase taxes higher than the approved index. This law puts an already increased burden on the District's revenue stream in future years. This legislation introduced certain new requirements on school districts which include the following:
  - ♦ That in the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state (5.20% for the Scranton School District for 2023), the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
  - ♦ Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contributions, special education cost increases) over which the school district has no control.
  - ♦ Gaming revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homesteaders and farmsteaders. (Act 1 permitted gambling in Pennsylvania.)
  - ♦ The Scranton School District as required by our Recovery Plan will apply for exceptions to Act 1 annually if required to balance the annual budget.
- In November 2010 and, again, in 2017 legislation was signed into law to implement a series of actuarial and funding changes to the Public School Employees' Retirement System ("**PSERS**"). The 2017 law did not take effect until July of 2019. The law changed the pension plans for all new hires effective July 1, 2019. The new legislation does not impact the pension benefits of current or retired PSERS members. Based on available projections, school districts will not see relief from the new legislation until 10-20 years in the future. Currently, the employer contribution rate for 2023-2024 is 34.00% and the rate for 2024-2025 has been certified at 33.90%.
- Professional/instructional and paraprofessional employees of the District are represented for purposes of collective bargaining by the Scranton Federation of Teachers ("**SFT**"), which is affiliated with the American Federation of Teachers ("**AFT**"). The term of the agreement was September 1<sup>st</sup>, 2017 through August 31<sup>st</sup>, 2023. Additionally, the District and the SFT have agreed to a successor agreement with a term of September 1<sup>st</sup>, 2023 through August 31<sup>st</sup>, 2028.

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**December 31, 2022**

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- Support staff (including custodian and maintenance employees, clerical and secretarial employees, attendance officers, hall monitors and behavioral technicians) are represented for purposes of collective bargaining by the Service Employees International Union Local 32BJ ("**SEIU**"). The District and the SEIU have negotiated an agreement for the term of January 1<sup>st</sup>, 2021 through December 31<sup>st</sup>, 2023. This agreement was mutually extended until December 31<sup>st</sup>, 2025 and was mutually extended until December 31<sup>st</sup>, 2028.
- Non-represented employees are covered by compensation plan for all Act 93 employees. The compensation plan agreement has a term of January 1<sup>st</sup>, 2018 through December 31<sup>st</sup>, 2022. Additionally, a successor agreement was approved with a term of January 1<sup>st</sup>, 2023 through December 31<sup>st</sup>, 2028.
- The District is partnering with its financial advisor to take advantage of refunding opportunities for its general obligation debt in an effort to restructure its debt, reduce future debt service payment and support capital improvements.
- The District is currently in the process of evaluating its buildings and facilities in an effort to prioritize capital projects in conjunction with the development of a District-wide capital improvement plan.
- As of October 1, 2023, the School District's enrollment was approximately 9,231 students, which is slightly below the prior year, however which is a 787 student decrease from the 2019 academic year. The District eliminated 3 year old pre-kindergarten program for 2019-2020 and the 4 year old program for 2020-2021 contributing a reduction of approximately 287 students to the enrollment decline. The District management attributes the enrollment variations in part to COVID-19 and students opting into outside charter and cyber schools.

### **CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, School District of the City of Scranton, 425 North Washington Avenue, Scranton, PA 18503.

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## STATEMENT OF NET POSITION (DEFICIT)

December 31, 2022 with summarized comparative totals for 2021

	Governmental Activities	Business-type Activities	Totals	
			2022	2021
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 55,439,351	\$ 9,099,774	\$ 64,539,125	\$ 68,417,179
Taxes receivable	12,095,236	-	12,095,236	13,302,188
Due from other governments	15,550,310	1,151,326	16,701,636	11,979,104
Other receivables	394,696	57,300	451,996	586,725
Internal balances	700,075	(700,075)	-	-
Inventories	-	68,558	68,558	59,270
<b>Total current assets</b>	<b>84,179,668</b>	<b>9,676,883</b>	<b>93,856,551</b>	<b>94,344,466</b>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	97,914,682	345,935	98,260,617	81,390,737
<b>Total assets</b>	<b>182,094,350</b>	<b>10,022,818</b>	<b>192,117,168</b>	<b>175,735,203</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated decrease in fair value of hedging derivative	2,254,492	-	2,254,492	5,350,672
Deferred charges on proportionate share of pension - PSERS	31,003,148	-	31,003,148	18,023,770
Deferred charges OPEB - single employer	3,376,299	-	3,376,299	4,419,538
Deferred charges on proportionate share of OPEB - PSERS	1,970,692	-	1,970,692	1,376,036
<b>Total deferred outflows of resources</b>	<b>38,604,631</b>	<b>-</b>	<b>38,604,631</b>	<b>29,170,016</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	8,715,673	512,113	9,227,786	7,621,666
Accrued salaries, payroll withholdings and benefits	8,772,367	-	8,772,367	8,680,655
Unearned revenue	-	25,840	25,840	10,133
Other liabilities	902,201	-	902,201	902,201
Accrued interest payable	830,496	-	830,496	1,126,398
<b>Total current liabilities</b>	<b>19,220,737</b>	<b>537,953</b>	<b>19,758,690</b>	<b>18,341,053</b>
<b>NONCURRENT LIABILITIES</b>				
Due within one year	15,662,656	-	15,662,656	14,920,746
Due in more than one year	449,608,543	-	449,608,543	431,197,645
<b>Total noncurrent liabilities</b>	<b>465,271,199</b>	<b>-</b>	<b>465,271,199</b>	<b>446,118,391</b>
<b>Total liabilities</b>	<b>484,491,936</b>	<b>537,953</b>	<b>485,029,889</b>	<b>464,459,444</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Grants received in advance	10,663,768	-	10,663,768	8,672,208
Deferred changes on proportionate share of pension - PSERS	14,639,000	-	14,639,000	48,616,000
Deferred charges OPEB - single employer	6,114,010	-	6,114,010	-
Deferred changes on proportionate share of OPEB - PSERS	3,201,000	-	3,201,000	1,687,000
<b>Total deferred inflows of resources</b>	<b>34,617,778</b>	<b>-</b>	<b>34,617,778</b>	<b>58,975,208</b>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	(72,812,284)	345,935	(72,466,349)	(78,107,636)
Restricted	323,161	-	323,161	321,775
Unrestricted (deficit)	(225,921,610)	9,138,930	(216,782,680)	(240,743,572)
<b>Total net position (deficit)</b>	<b>\$ (298,410,733)</b>	<b>\$ 9,484,865</b>	<b>\$ (288,925,868)</b>	<b>\$ (318,529,433)</b>

See accompanying notes

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## STATEMENT OF ACTIVITIES

Year ended December 31, 2022 with summarized comparative totals for 2021

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2022	2021
<b>GOVERNMENTAL ACTIVITIES</b>								
Instruction	\$ 113,332,496	\$ -	\$ 51,639,108	\$ -	\$ (61,693,388)	\$ -	\$ (61,693,388)	\$ (58,573,932)
Instructional student support	8,849,689	-	1,922,223	-	(6,927,466)	-	(6,927,466)	(5,914,949)
Administrative and financial support services	13,315,988	-	1,765,051	-	(11,550,937)	-	(11,550,937)	(9,396,627)
Operation and maintenance of plant services	18,179,258	68,678	1,511,164	7,467,776	(9,131,640)	-	(9,131,640)	(8,352,987)
Pupil transportation	5,605,869	-	13,100	-	(5,592,769)	-	(5,592,769)	(1,591,648)
Student activities	1,166,094	53,132	161,391	-	(951,571)	-	(951,571)	(742,041)
Community services	154,829	-	40,309	-	(114,520)	-	(114,520)	(24,234)
Interest and amortization expense related to noncurrent liabilities	7,234,611	-	1,125,206	-	(6,109,405)	-	(6,109,405)	(7,228,098)
<b>Total governmental activities</b>	<b>167,838,834</b>	<b>121,810</b>	<b>58,177,552</b>	<b>7,467,776</b>	<b>(102,071,696)</b>	<b>-</b>	<b>(102,071,696)</b>	<b>(91,824,516)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Food service	5,768,410	160,717	7,915,585	-	-	2,307,892	2,307,892	738,936
Memorial stadium	5,050	50,000	-	-	-	44,950	44,950	34,385
<b>Total business-type activities</b>	<b>5,773,460</b>	<b>210,717</b>	<b>7,915,585</b>	<b>-</b>	<b>-</b>	<b>2,352,842</b>	<b>2,352,842</b>	<b>773,321</b>
<b>Total primary government</b>	<b>\$ 173,612,294</b>	<b>\$ 332,527</b>	<b>\$ 66,093,137</b>	<b>\$ 7,467,776</b>	<b>(102,071,696)</b>	<b>2,352,842</b>	<b>(99,718,854)</b>	<b>(91,051,195)</b>
<b>GENERAL REVENUES</b>								
Property taxes levied for general purposes					47,974,130	-	47,974,130	49,544,255
Earned income taxes levied for general purposes					13,251,326	-	13,251,326	11,324,647
Other taxes levied for general purposes					8,797,577	-	8,797,577	8,177,972
Grants and entitlements not restricted to specific programs					58,359,521	-	58,359,521	52,585,508
Investment earnings					650,808	35,043	685,851	68,391
Other					254,014	-	254,014	105,825
<b>TRANSFERS</b>					<b>500,000</b>	<b>(500,000)</b>	<b>-</b>	<b>-</b>
<b>Total general revenues and transfers</b>					<b>129,787,376</b>	<b>(464,957)</b>	<b>129,322,419</b>	<b>121,806,598</b>
<b>CHANGE IN NET POSITION (DEFICIT)</b>					<b>27,715,680</b>	<b>1,887,885</b>	<b>29,603,565</b>	<b>30,755,403</b>
<b>NET POSITION (DEFICIT)</b>								
Beginning of year					(326,126,413)	7,596,980	(318,529,433)	(349,284,836)
<b>End of year</b>					<b>\$ (298,410,733)</b>	<b>\$ 9,484,865</b>	<b>\$ (288,925,868)</b>	<b>\$ (318,529,433)</b>

See accompanying notes



# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2022 with summarized comparative totals for 2021

	Major Funds			Totals	
	General	Capital	Debt	2022	2021
	Fund	Projects	Service		
<b>ASSETS</b>					
Cash	\$ 29,765,530	\$ 24,765,818	\$ 323,161	\$ 54,854,509	\$ 60,032,506
Taxes receivable	12,095,236	-	-	12,095,236	13,302,188
Due from other funds	700,075	2,092,639	-	2,792,714	758,112
Due from other governments	15,550,310	-	-	15,550,310	11,802,663
Other receivables	394,696	-	-	394,696	536,725
Prepaid expenses	-	-	-	-	-
<b>Total assets</b>	<b>\$ 58,505,847</b>	<b>\$ 26,858,457</b>	<b>\$ 323,161</b>	<b>\$ 85,687,465</b>	<b>\$ 86,432,194</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 5,643,385	\$ 3,072,288	\$ -	\$ 8,715,673	\$ 7,192,439
Accrued salaries, payroll withholdings and benefits	8,758,564	-	-	8,758,564	8,674,740
Other liabilities	902,201	-	-	902,201	902,201
Due to other funds	2,092,639	-	-	2,092,639	363,250
<b>Total liabilities</b>	<b>17,396,789</b>	<b>3,072,288</b>	<b>-</b>	<b>20,469,077</b>	<b>17,132,630</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Grants received in advance	10,663,768	-	-	10,663,768	8,672,208
Unavailable revenues - property taxes	12,095,236	-	-	12,095,236	13,302,188
<b>Total deferred inflows of resources</b>	<b>22,759,004</b>	<b>-</b>	<b>-</b>	<b>22,759,004</b>	<b>21,974,396</b>
<b>FUND BALANCES</b>					
Restricted for					
Capital projects	-	23,786,169	-	23,786,169	30,052,591
Debt service	-	-	323,161	323,161	321,775
Committed to					
Capital improvements	2,500,000	-	-	2,500,000	-
Unassigned	15,850,054	-	-	15,850,054	16,950,802
<b>Total fund balances</b>	<b>18,350,054</b>	<b>23,786,169</b>	<b>323,161</b>	<b>42,459,384</b>	<b>47,325,168</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 58,505,847</b>	<b>\$ 26,858,457</b>	<b>\$ 323,161</b>	<b>\$ 85,687,465</b>	<b>\$ 86,432,194</b>

See accompanying notes

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

December 31, 2022

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	\$ 42,459,384
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	97,914,682
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds balance sheet.	12,095,236
Deferred outflows created from derivative hedging transactions are not reported as assets and liabilities in the governmental funds balance sheet	2,254,492
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	12,396,129
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(465,271,199)
The Internal Service Fund is used by management to charge the cost of workers' compensation insurance premiums and claims to the General Fund. The assets and liabilities of the Internal Service fund are included in the governmental activities on the government-wide statement of net position (deficit).	571,039
Accrued interest payable on long-term liabilities is included in the government-wide statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	<u>(830,496)</u>
<b>NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ (298,410,733)</u>

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See accompanying notes

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended December 31, 2022 with summarized comparative totals for 2021

	Major Funds			Totals	
	General	Capital	Debt	2022	2021
	Fund	Projects	Service		
		Fund	Fund		
<b>REVENUES</b>					
Local sources	\$ 72,876,279	\$ 484,101	\$ 6,601	\$ 73,366,981	\$ 71,064,918
State sources	100,412,612	-	-	100,412,612	89,047,135
Federal sources	22,220,709	-	-	22,220,709	14,265,377
<b>Total revenues</b>	<u>195,509,600</u>	<u>484,101</u>	<u>6,601</u>	<u>196,000,302</u>	<u>174,377,430</u>
<b>EXPENDITURES</b>					
Current					
Instruction	120,824,779	-	-	120,824,779	109,582,212
Support services	45,461,975	1,192,341	250,000	46,904,316	39,848,101
Operation of noninstructional services	1,419,652	-	-	1,419,652	1,038,108
Facilities acquisition, construction and improvement services	7,206,654	16,239,843	-	23,446,497	5,411,603
Debt service	17,743,189	-	4,309,744	22,052,933	23,430,082
<b>Total expenditures</b>	<u>192,656,249</u>	<u>17,432,184</u>	<u>4,559,744</u>	<u>214,648,177</u>	<u>179,310,106</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,853,351</u>	<u>(16,948,083)</u>	<u>(4,553,143)</u>	<u>(18,647,875)</u>	<u>(4,932,676)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Refund of prior year receipts	(980,000)	-	-	(980,000)	(345,234)
Refund of prior year expenditures	-	253,485	-	253,485	-
Issuance of debt	-	10,000,000	-	10,000,000	-
Proceeds from collateralized borrowing	-	-	4,554,529	4,554,529	5,443,987
Bond discounts	-	(71,824)	-	(71,824)	-
Transfers in	-	500,000	-	500,000	1,073
Transfers out	(474,099)	-	-	(474,099)	(461,073)
<b>Total other financing sources (uses)</b>	<u>(1,454,099)</u>	<u>10,681,661</u>	<u>4,554,529</u>	<u>13,782,091</u>	<u>4,638,753</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>1,399,252</u>	<u>(6,266,422)</u>	<u>1,386</u>	<u>(4,865,784)</u>	<u>(293,923)</u>
<b>FUND BALANCES</b>					
Beginning of year	<u>16,950,802</u>	<u>30,052,591</u>	<u>321,775</u>	<u>47,325,168</u>	<u>47,619,091</u>
<b>End of year</b>	<u>\$ 18,350,054</u>	<u>\$ 23,786,169</u>	<u>\$ 323,161</u>	<u>\$ 42,459,384</u>	<u>\$ 47,325,168</u>

See accompanying notes

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended December 31, 2022

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ (4,865,784)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay expenditures	\$ 22,889,467	
Depreciation expense	<u>(6,008,415)</u>	16,881,052

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount in the current period.

Deferred inflows of resources December 31, 2021	(13,302,188)	
Deferred inflows of resources December 31, 2022	<u>12,095,236</u>	(1,206,952)

The 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 the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of bonds and notes payable	8,935,000	
Amortization of bond premiums and discounts	281,005	
Issuance of debt	(10,000,000)	
Payment of bond discounts	71,824	
Proceeds from collateralized borrowing	(4,554,529)	
Repayment of collateralized borrowing	<u>5,306,415</u>	39,715

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures on governmental funds.

Change in net pension liability and related deferred inflows and outflows	15,546,605	
Current year change in accrued interest payable	295,902	
Current year change in compensated absences	(37,762)	
Current year change in retirement incentives	1,012,453	
Change in net post-employment benefit (OPEB) liability and related deferred inflows and outflows	<u>69,786</u>	16,886,984

The Internal Service Fund is used by management to charge the cost of workers' compensation insurance premiums and claims to the General Fund. The change in net position of the Internal Service Fund is reported within the governmental activities

(19,335)

**CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES** \$ 27,715,680

See accompanying notes

**THE SCHOOL DISTRICT OF THE CITY OF SCRANTON**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

December 31, 2022 with summarized comparative totals for 2021

	<u>Major Fund Food Service</u>	<u>Memorial Stadium Fund</u>	<u>Totals</u>		<u>Internal Service Fund</u>
			<u>2022</u>	<u>2021</u>	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	\$ 8,918,363	\$ 181,411	\$ 9,099,774	\$ 7,788,384	\$ 584,842
Accounts receivable	7,300	50,000	57,300	50,000	-
Due from other governments	1,151,326	-	1,151,326	176,441	-
Inventories	68,558	-	68,558	59,270	-
<b>Total current assets</b>	<u>10,145,547</u>	<u>231,411</u>	<u>10,376,958</u>	<u>8,074,095</u>	<u>584,842</u>
<b>NONCURRENT ASSETS</b>					
Capital assets, net	333,439	12,496	345,935	357,107	-
<b>Total assets</b>	<u>10,478,986</u>	<u>243,907</u>	<u>10,722,893</u>	<u>8,431,202</u>	<u>584,842</u>
<b>LIABILITIES AND NET POSITION</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	512,113	-	512,113	429,227	-
Accrued salaries and benefits	-	-	-	-	13,803
Unearned revenues	25,840	-	25,840	10,133	-
Due to other funds	627,075	73,000	700,075	394,862	-
<b>Total current liabilities</b>	<u>1,165,028</u>	<u>73,000</u>	<u>1,238,028</u>	<u>834,222</u>	<u>13,803</u>
<b>Total liabilities</b>	<u>1,165,028</u>	<u>73,000</u>	<u>1,238,028</u>	<u>834,222</u>	<u>13,803</u>
<b>NET POSITION</b>					
Net investment in capital assets	333,439	12,496	345,935	357,107	-
Unrestricted	8,980,519	158,411	9,138,930	7,239,873	571,039
<b>Total net position (deficit)</b>	<u>\$ 9,313,958</u>	<u>\$ 170,907</u>	<u>\$ 9,484,865</u>	<u>\$ 7,596,980</u>	<u>\$ 571,039</u>

See accompanying notes

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

December 31, 2022 with summarized comparative totals for 2021

	Major Fund	Memorial Stadium Fund	Totals		Internal Service Fund
	Food Service		2022	2021	
<b>OPERATING REVENUES</b>					
Food service revenue	\$ 160,717	\$ -	\$ 160,717	\$ 108,718	\$ -
Other local education activity income	-	50,000	50,000	50,000	-
<b>Total operating revenues</b>	<u>160,717</u>	<u>50,000</u>	<u>210,717</u>	<u>158,718</u>	<u>-</u>
<b>OPERATING EXPENSES</b>					
Salaries and wages	185,764	-	185,764	173,654	237,661
Employee benefits	119,897	-	119,897	124,208	156,654
Purchased services	4,793,967	-	4,793,967	2,831,611	106,797
Supplies	593,671	1,662	595,333	360,029	-
Depreciation	74,906	3,388	78,294	74,395	-
Dues and fees	205	-	205	638	-
<b>Total operating expenses</b>	<u>5,768,410</u>	<u>5,050</u>	<u>5,773,460</u>	<u>3,564,535</u>	<u>501,112</u>
<b>Operating income (loss)</b>	<u>(5,607,693)</u>	<u>44,950</u>	<u>(5,562,743)</u>	<u>(3,405,817)</u>	<u>(501,112)</u>
<b>NONOPERATING REVENUES</b>					
Earnings on investments	34,216	827	35,043	8,607	7,678
State sources	210,767	-	210,767	43,567	-
Federal sources	7,704,818	-	7,704,818	4,135,571	-
<b>Total nonoperating revenues</b>	<u>7,949,801</u>	<u>827</u>	<u>7,950,628</u>	<u>4,187,745</u>	<u>7,678</u>
<b>Change in net position before transfers</b>	2,342,108	45,777	2,387,885	781,928	(493,434)
<b>Transfers in (out)</b>	<u>-</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>	<u>474,099</u>
<b>CHANGE IN NET POSITION</b>	2,342,108	(454,223)	1,887,885	781,928	(19,335)
<b>NET POSITION</b>					
Beginning of year	<u>6,971,850</u>	<u>625,130</u>	<u>7,596,980</u>	<u>6,815,052</u>	<u>590,374</u>
<b>End of year</b>	<u>\$ 9,313,958</u>	<u>\$ 170,907</u>	<u>\$ 9,484,865</u>	<u>\$ 7,596,980</u>	<u>\$ 571,039</u>

See accompanying notes

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2022 with summarized comparative totals for 2021

	Major <u>Fund</u> Food <u>Service</u>	Memorial Stadium <u>Fund</u>	<u>Totals</u>		Internal Service <u>Fund</u>
			<u>2022</u>	<u>2021</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from charges for services	\$ 153,417	\$ -	\$ 153,417	\$ 158,718	\$ -
Cash received from other income	-	50,000	50,000	-	-
Cash payments to employees for services	(448)	-	(448)	-	(394,315)
Cash payments to supplies for goods and services	(4,790,965)	(1,662)	(4,792,627)	(2,497,194)	(106,797)
<b>Net cash provided by (used for) operating activities</b>	<u>(4,637,996)</u>	<u>48,338</u>	<u>(4,589,658)</u>	<u>(2,338,476)</u>	<u>(501,112)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
State sources	180,569	-	180,569	78,670	-
Federal sources	6,252,558	-	6,252,558	3,791,822	-
Transfers in (out)	-	(500,000)	(500,000)	-	481,987
<b>Net cash provided by noncapital financing activities</b>	<u>6,433,127</u>	<u>(500,000)</u>	<u>5,933,127</u>	<u>3,870,492</u>	<u>481,987</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(67,122)	-	(67,122)	(21,364)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Earnings on investments	34,216	827	35,043	8,607	7,678
<b>Net increase (decrease) in cash</b>	1,762,225	(450,835)	1,311,390	1,519,259	(11,447)
<b>CASH</b>					
Beginning of year	7,156,138	632,246	7,788,384	6,269,125	596,289
<b>End of year</b>	<u>\$ 8,918,363</u>	<u>\$ 181,411</u>	<u>\$ 9,099,774</u>	<u>\$ 7,788,384</u>	<u>\$ 584,842</u>
<b>Reconciliation of operating loss to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ (5,607,693)	\$ 44,950	\$ (5,562,743)	\$ (3,405,817)	\$ (501,112)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities</b>					
Depreciation	74,906	3,388	78,294	74,395	-
Donated commodities used	507,573	-	507,573	320,623	-
(Increase) decrease in					
Accounts receivable	(7,300)	-	(7,300)	-	-
Due from other funds	-	-	-	90,611	-
Inventories	(9,288)	-	(9,288)	(31,839)	-
Increase (decrease) in					
Accounts payable	82,886	-	82,886	305,556	-
Accrued salaries	-	-	-	-	-
Due to other funds	305,213	-	305,213	297,862	-
Unearned revenue	15,707	-	15,707	10,133	-
<b>Net cash provided by (used for) operating activities</b>	<u>\$ (4,637,996)</u>	<u>\$ 48,338</u>	<u>\$ (4,589,658)</u>	<u>\$ (2,338,476)</u>	<u>\$ (501,112)</u>
<b>SUPPLEMENTAL DISCLOSURE</b>					
<b>Noncash noncapital financing activity</b>					
USDA donated commodities	\$ 507,573	\$ -	\$ 507,573	\$ 320,623	\$ -

See accompanying notes

**THE SCHOOL DISTRICT OF THE CITY OF SCRANTON**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**

**December 31, 2022 with summarized comparative totals for 2021**

	<u>Private- Purpose Trust</u>	<u>Custodial Funds</u>	<u>Totals</u>	
			<u>2022</u>	<u>2021</u>
<b>ASSETS</b>				
Cash	<u>\$ 4,575</u>	<u>\$ 494,174</u>	<u>\$ 498,749</u>	<u>\$ 481,853</u>
<b>NET POSITION</b>				
Net position held in trust for scholarships	4,575	-	4,575	4,561
Restricted for student activities	<u>-</u>	<u>494,174</u>	<u>494,174</u>	<u>477,292</u>
<b>Total fund balances</b>	<u>4,575</u>	<u>494,174</u>	<u>498,749</u>	<u>481,853</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,575</u>	<u>\$ 494,174</u>	<u>\$ 498,749</u>	<u>\$ 481,853</u>



**THE SCHOOL DISTRICT OF THE CITY OF SCRANTON**

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**

Year ended December 31, 2022 with summarized comparative totals for 2021

	Private- Purpose Trust	Custodial Funds	Totals	
			2022	2021
<b>ADDITIONS</b>				
Receipts from student groups	\$ -	\$ 680,628	\$ 680,628	\$ 326,315
Investment earnings	14	8,889	8,903	427
<b>Total additions</b>	<u>14</u>	<u>689,517</u>	<u>689,531</u>	<u>326,742</u>
<b>DEDUCTIONS</b>				
Student activity disbursements	-	672,635	672,635	264,467
<b>CHANGE IN NET POSITION</b>	14	16,882	16,896	62,275
<b>NET POSITION</b>				
Beginning of year	<u>4,561</u>	<u>477,292</u>	<u>481,853</u>	<u>419,578</u>
<b>End of year</b>	<u>\$ 4,575</u>	<u>\$ 494,174</u>	<u>\$ 498,749</u>	<u>\$ 481,853</u>

See accompanying notes

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District of the City of Scranton (the "**District**") operates ten elementary schools, three intermediate schools, two high schools and two alternative education schools for all grades to provide education and related services to the residents of City of Scranton. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the second class. The District operates under a locally elected nine-member board form of government (the "**School Board**").

On February 5, 2019, the District was declared to be in a state of moderate distress under the Commonwealth of Pennsylvania's Act 141 of 2012. This designation required the appointment of a Chief Recovery Officer who was charged with developing a financial and academic recovery plan for the District. The Chief Recovery Officer with the assistance of a financial consultant prepared a ("**Recovery Plan**") for the District dated July 25, 2019. The Recovery Plan was approved by the District's Board of Directors in August 2019. In January 2022, the District's designation of being in a state of moderate distress was removed and entered into a five year monitoring phase with the Pennsylvania Department of Education. The appointment of a Chief Recover Officer and financial recovery plan remain in place.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

#### Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

#### Basis of Presentation

##### **Government-Wide Financial Statements**

The statement of net position (deficit) and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position (deficit) presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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The statement of net position (deficit) includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

### ***Fund Financial Statements***

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

### ***Governmental Funds***

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term principal, interest and other related costs.

### ***Revenue Recognition***

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources is reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

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# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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### ***Expenditure Recognition***

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### ***Proprietary Funds***

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary funds:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

The Memorial Stadium Fund was established to account for advertising agreements and other charges for services (e.g. concessions) at the Scranton High School's Memorial Stadium that is to be used for future capital projects at Memorial Stadium.

The Internal Service Fund is used to account for the District's self-funded workers' compensation program.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the District's proprietary funds include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

### ***Fiduciary Funds***

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. Custodial funds are used to account for assets held on behalf of individuals and/or governmental units and are, therefore, not available to support the District's own programs. The District has one custodial consisting of funds held on behalf of the students.

### **Cash and Cash Equivalents**

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

### **Investments**

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost, which approximates fair value.

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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### **Fair Value Measurements of Assets and Liabilities**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

### **Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

### **Property Taxes**

Taxes are levied on January 1 and are payable in the following periods:

Discount period	
January 1 – February 28	- 2.50% of gross levy
March 1 – April 30	- 2.00% of gross levy
Face period	
May 1 – June 30	- Face period
Penalty period	
July 1 – August 31	- 5.00% of gross levy
September 1 – October 31	- 7.50% of gross levy
November 1 – December 31	- 10.00% of gross levy

The County Board of Assessments determines assessed valuations of property, and the taxes are billed and collected by the Scranton Single Tax Office. The tax on real estate for public school purposes for 2022 was 142.987 mills (\$142.987 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

### **Pledged Taxes Receivable**

The District has entered into an agreement with the Northwest Pennsylvania Incubator Association ("**NP**IA") under which the District relinquishes to NP**IA** delinquent property tax revenues. The District received from NP**IA** a lump sum payment in exchange for the rights to receive and retain future delinquent property tax revenues.

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# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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### **Prepaid Items and Inventories**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$4,000 and an estimated life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 20-50 years, furniture and equipment – 5-20 years and textbooks – 7 years.

### **Impairment of Long-Lived Assets**

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended December 31, 2022.

### **Compensated Absences**

District policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the governmental funds financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

### **Long-Term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and uses. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures except for refundings paid from proceeds which are reported as other financing costs.

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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### **Fund Equity**

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

#### ***Nonspendable***

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

#### ***Restricted***

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

#### ***Committed***

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

#### ***Assigned***

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Superintendent or Business Manager or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

#### ***Unassigned***

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

### **Use of Estimates**

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

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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### **Implementation of New Accounting Pronouncements**

GASB Statement No. 87, "Leases" is effective for the District for the year ended December 31, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The implementation of GASB Statement No. 87 had no impact on the District's financial statements for the year ended December 31, 2022.

GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32" is effective for the District for the year ended December 31, 2022. The objectives of GASB Statement No. 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 had no impact on the District's financial statements for the year ended December 31, 2022.

### **New Accounting Pronouncements**

GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" will be effective for the District for the year ended December 31, 2023. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("**PPP**"s). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96, "Subscription-Based Information Technology Arrangements" will be effective for the District for the year ended December 31, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("**SBITA**"s) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

## **(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgetary Information**

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

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# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to when final action on adoption is taken by the School Board.

The deadline for the District to adopt the final General Fund budget is December 31. After the legal adoption of the budget, the District is required to file a copy of the budget with the Pennsylvania Department of Education no later than 15 days after final adoption. Additional copies of the budget also are required to be filed with the House Education Committee and the Senate Education Committee.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

### (3) DEPOSITS

#### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2022, the carrying amount of the District's deposits was \$65,037,874 and the bank balance was \$67,624,546. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$1,053,655 was covered by federal depository insurance, and \$51,847,954 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the District are in the Pennsylvania Local Government Investment Trust ("**PLGIT**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like money market mutual funds in that it's objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to independent annual audit. As of December 31, 2022, PLGIT was rated as AAA by a nationally recognized statistical rating agency.

### (4) CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 4,209,661	\$ -	\$ -	\$ 4,209,661
Construction in progress	<u>4,335,903</u>	<u>20,066,345</u>	<u>8,041,463</u>	<u>16,360,785</u>
<b>Total capital assets not being depreciated</b>	<u>8,545,564</u>	<u>20,066,345</u>	<u>8,041,463</u>	<u>20,570,446</u>
Capital assets being depreciated				
Buildings and improvements	164,964,143	8,231,617	-	173,195,760
Furniture and equipment	28,832,291	2,547,017	-	31,379,308
Textbooks	<u>2,262,802</u>	<u>85,951</u>	-	<u>2,348,753</u>
<b>Total capital assets being depreciated</b>	<u>196,059,236</u>	<u>10,864,585</u>	<u>-</u>	<u>206,923,821</u>

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Less accumulated depreciation for				
Buildings and improvements	(95,778,065)	(5,025,370)	-	(100,803,435)
Furniture and equipment	(25,530,301)	(975,749)	-	(26,506,050)
Textbooks	<u>(2,262,804)</u>	<u>(7,296)</u>	<u>-</u>	<u>(2,270,100)</u>
<b>Total accumulated depreciation</b>	<u>(123,571,170)</u>	<u>(6,008,415)</u>	<u>-</u>	<u>(129,579,585)</u>
<b>Total capital assets being depreciated, net</b>	<u>72,488,066</u>	<u>4,856,170</u>	<u>-</u>	<u>77,344,236</u>
<b>Governmental activities, net</b>	<u>\$ 81,033,630</u>	<u>\$24,922,515</u>	<u>\$8,041,463</u>	<u>\$ 97,914,682</u>
<b>Business-type activities</b>				
Furniture and equipment	\$ 1,607,019	\$ 67,122	\$ -	\$ 1,674,141
Less accumulated depreciation	<u>(1,249,912)</u>	<u>(78,294)</u>	<u>-</u>	<u>(1,328,206)</u>
<b>Business-type activities, net</b>	<u>\$ 357,107</u>	<u>\$ (11,172)</u>	<u>\$ -</u>	<u>\$ 345,935</u>

Depreciation expense was charged to functions/programs of the District as follows:

<b>Governmental activities</b>	
Instruction	\$4,484,168
Instructional student support	355,904
Administrative and financial support services	485,981
Operation and maintenance of plant services	636,493
Student activities	<u>45,869</u>
<b>Total depreciation expense – governmental activities</b>	<u>\$6,008,415</u>
<b>Business-type activities</b>	
Food service	\$ 74,906
Memorial stadium	<u>3,388</u>
<b>Total depreciation expense – business-type activities</b>	<u>\$ 78,294</u>

As of December 31, 2022, the District had outstanding construction commitments totaling \$53,240,338 for various renovations to District buildings and facilities.

### (5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2022 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 627,075	Food Service Fund	\$ 627,075
General Fund	73,000	Memorial Stadium Fund	73,000
Capital Projects Fund	<u>2,092,639</u>	General Fund	<u>2,092,639</u>
	<u>\$2,792,714</u>		<u>\$2,792,714</u>

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses.

A summary of interfund transfers for the year ended December 31, 2022 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Internal Service Fund	\$ 474,099	General Fund	\$ 474,099
Capital Projects Fund	<u>500,000</u>	Memorial Stadium Fund	<u>500,000</u>
	<u>\$ 974,099</u>		<u>\$ 974,099</u>

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Transfers from the General Fund represent transfer to subsidize costs associated with workers' compensation premiums and claims and transfers from the Memorial Stadium Fund to the Capital Projects Fund was to subsidize renovations to the stadium.

### (6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended December 31, 2022:

	<u>Balance January 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2022</u>	<u>Amount Due Within One Year</u>
<b>Governmental activities</b>					
<b>General obligation debt</b>					
Bonds payable	\$146,935,000	\$10,000,000	\$ 7,220,000	\$149,715,000	\$ 7,455,000
Notes payable	58,120,000	-	1,715,000	56,405,000	1,880,000
Bond discounts	-	(71,824)	(3,591)	(68,233)	(3,591)
Bond premiums	2,845,964	-	284,596	2,561,368	284,596
<b>Total general obligation debt</b>	<u>207,900,964</u>	<u>9,928,176</u>	<u>9,216,005</u>	<u>208,613,135</u>	<u>9,616,005</u>
<b>Other noncurrent liabilities</b>					
Compensated absences	21,612,995	73,606	35,844	21,650,757	4,330,151
Net pension liability - PSERS	169,276,898	31,409,773	-	200,686,671	-
OPEB liability	23,481,924	1,488,580	8,187,097	16,783,407	-
Net OPEB liability - PSERS	9,755,262	-	1,447,862	8,307,400	-
Retirement incentives	5,178,953	-	1,012,453	4,166,500	1,716,500
Collateralized borrowing	3,560,723	4,554,529	5,306,415	2,808,837	-
Derivative instrument liability - interest rate swap	5,350,672	-	3,096,180	2,254,492	-
<b>Total other noncurrent liabilities</b>	<u>238,217,427</u>	<u>37,526,488</u>	<u>19,085,851</u>	<u>256,658,064</u>	<u>6,046,651</u>
<b>Total governmental activities</b>	<u>\$446,118,391</u>	<u>\$47,454,664</u>	<u>\$28,301,856</u>	<u>\$465,271,199</u>	<u>\$15,662,656</u>

Noncurrent liabilities of governmental activities are generally liquidated by the General Fund.

### (7) GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted resources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of December 31, 2022 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
<b>General obligation bonds</b>				
Series of 2015B	2.00% - 4.00%	\$14,985,000	06/15/2031	\$ 8,860,000
Series of 2016B	3.15%	\$2,830,000	06/15/2034	2,825,000
Series of 2017A	3.00% - 5.00%	\$29,105,000	06/01/2025	11,210,000
Series of 2017B	3.00% - 5.00%	\$7,510,000	06/01/2025	2,890,000
Series of 2017C	2.00% - 5.00%	\$2,675,000	06/01/2031	1,125,000
Series of 2017E	2.00% - 5.00%	\$58,435,000	12/01/2037	58,410,000
Series of 2018A	2.25% - 5.00%	\$9,525,000	06/31/2037	9,485,000
Series of 2019	2.37% - 3.15%	\$19,005,000	04/01/2031	16,665,000
Series of 2020	2.00% - 4.00%	\$28,330,000	12/01/2045	28,245,000
Series of 2022	3.25% - 4.25%	\$10,000,000	12/01/2040	10,000,000
<b>Total general obligation bonds</b>				<u>149,715,000</u>

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

### General obligation notes

Series of 2014	Variable	\$27,895,000	04/01/2031	24,655,000
Series of 2015A	1.00% - 3.80%	\$6,565,000	06/15/2034	4,410,000
Series of 2016A	3.15%	\$5,615,000	06/15/2034	5,605,000
Series of 2017D	2.00% - 5.00%	\$21,795,000	06/01/2037	<u>21,735,000</u>
<b>Total general obligation notes</b>				<u>56,405,000</u>
<b>Total general obligation debt</b>				<u>\$206,120,000</u>

Variable rate debt bears interest at a rate equal to the 30-day LIBOR index as of the date of determination.

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year ending December 31,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total</u>
2023	\$ 9,335,000	\$ 7,668,481	\$ 17,003,481
2024	9,740,000	7,356,912	17,096,912
2025	10,170,000	7,011,194	17,181,194
2026	9,690,000	6,728,788	16,418,788
2027	10,100,000	6,424,315	16,524,315
2028-2032	57,175,000	27,192,664	84,367,664
2033-2037	70,620,000	14,823,630	85,443,630
2038-2042	18,250,000	4,362,699	22,612,699
2043-2045	<u>11,040,000</u>	<u>894,800</u>	<u>11,934,800</u>
	<u>\$206,120,000</u>	<u>\$82,463,483</u>	<u>\$288,583,483</u>

### General Obligation Bonds, Series of 2022

In December 2022, the District issued \$10,000,000 of general obligation bonds, Series of 2022, the proceeds from which were used to (1) fund various capital projects of the District; and (2) to pay for the costs of issuance.

## (8) DERIVATIVE FINANCIAL INSTRUMENTS

### Interest Rate Swap Agreement

The District uses a swap contract that has fixed interest payments made in exchange for variable interest payments received based on an underlying interest rate index. Hedging derivatives instruments are used to reduce financial risks, such as offsetting increases in variable interest rate costs of the hedged item. These derivative instruments are evaluated to determine if they are effective in significantly reducing the identified financial risk at year end. If the derivative is determined to be an effective hedge, its fair value is an asset or liability with a corresponding offset to deferred outflows or inflows of resources on the statement of net position. Deferred outflows or inflows of resources constitute changes in fair values of effectively-hedged derivative instruments. If the derivative instruments are determined to be ineffective, they are considered investment derivatives in which their fair values are recognized against investment income in the statement of activities.

At December 31, 2022, the District had the following derivative financial instrument outstanding:

	<u>Changes in Fair Value</u>		<u>Fair Value at December 31, 2022</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<b>Governmental Activities</b>					
Cash flow hedge					
Pay fixed interest rate swaps	Deferred outflows of resources	\$3,096,180	Debt	\$(2,254,492)	\$24,655,000

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

The District currently has one interest rate swap agreement. The District utilized a regression method analysis to evaluate the hedge effectiveness for its interest rate swap. This method evaluates effectiveness by measuring the statistical relationship between the fair value or cash flows of the interest rate swap and the item it is hedged against. The analysis confirmed that the changes in cash flows of the interest rate swap instrument substantially offsets the changes in cash flows of the item hedged against and met within reason all required criteria.

### Fair Value

The fair value of the interest rate swap was derived from proprietary models based upon well recognized financial principles and reasonable estimates about relevant future market conditions. The interest rate swaps were valued based upon Level 2 inputs.

#### Objective and Terms of Hedging Derivative Instrument

<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating</u>
Pay fixed interest rate swaps	Hedge changes in cash flows on the GON Series of 2014	\$24,655,000	12/29/2014	04/01/2031	Pay 4.738%; receives 68% of 1 month LIBOR	A

### Credit Risk

As of December 31, 2022, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated A by Standard & Poor's as of December 31, 2022.

### Interest Rate Risk

The District is exposed to interest rate risk on its swap agreement. On the District's pay-fixed interest rate swap, as the London Inter-Bank Offered Rate (LIBOR) index decreases, the District's net payment on the swap increases.

### Basis Risk

The District is exposed to basis risk on its pay-fixed interest rate swap because the variable rate payments received by the District on this hedging derivative instrument are based on a rate or index other than interest rates the District pays on its hedged variable rate debt, which is remarketed every week.

### Termination Risk

The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value.

### Swap Payments and Associated Debt

Using rates as of December 31, 2022, debt service requirements for the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

<u>Year ending December 30,</u>	<u>Variable Rate Bonds</u>		<u>Interest Rate Swaps, Net</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2023	\$ 1,865,000	\$ 495,417	\$ 415,467	\$ 2,775,884
2024	2,035,000	455,987	381,308	2,872,295
2025	2,230,000	410,139	343,953	2,984,092
2026	2,465,000	361,103	302,831	3,128,934
2027	2,695,000	307,210	257,636	3,259,846
2028-2031	13,365,000	586,812	491,536	14,443,348
	<u>\$24,655,000</u>	<u>\$2,616,668</u>	<u>\$2,192,731</u>	<u>\$29,464,399</u>

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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### (9) COLLATERALIZED BORROWING

The District has pledged future delinquent real estate tax revenues to repay the collateralized borrowing, proceeds of which were deposited into the General Fund. The collateralized borrowing is repayable from the pledged revenues through January 1, 2022. Interest is payable monthly at a variable rate equal to the prime rate but in no event less than 5.00% nor greater than 8.00%. Principal is paid quarterly on July 1, October 1, January 1 and April 1 through the maturity date in an amount equal to collections of pledged revenues since the prior principal payment date less amounts paid as interest during the period. As additional security for its collateralized borrowing, the District is required to maintain a loan reserve with a bank which is adjusted annually.

Future pledged revenues collections are estimated to be adequate to redeem the collateralized borrowing. In the event that they are not, the District is obligated to pay the deficiency thirty days prior to the maturity date.

The District intends that additional funds will be drawn against the collateralized borrowing each year, at the lien date for unpaid real estate taxes.

### (10) OTHER POST-EMPLOYMENT BENEFITS

#### Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits include a single-employer defined benefit plan that provides medical, prescription, dental and life insurance to all retirees and their dependents. The School Board has the authority to establish and amend benefit provisions. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

#### OPEB Plan Membership

Membership in the OPEB plan consisted of the following at December 31, 2022:

Active plan members	1,092
Inactive plan members entitled to but not yet receiving benefits	-
Inactive plan members or beneficiaries currently receiving benefits	<u>758</u>
Total	<u>1,850</u>

#### Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

#### OPEB Liability

The District's OPEB liability has been measured as of December 31, 2022. The total OPEB liability was determined by an actuarial valuation as of January 1, 2022, and by rolling forward the liabilities from the January 1, 2022 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The total OPEB liability is \$16,783,407, all of which is unfunded. As of December 31, 2022, the OPEB liability of \$16,783,407 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

The District's change in its OPEB liability for the year ended December 31, 2022 was as follows:

<b>Balances as of January 1, 2022</b>	<u>\$23,481,924</u>
<b>Changes for the year:</b>	
Service cost	1,028,079
Interest on total OPEB liability	460,501
Difference between expected and actual experience	(5,425,857)
Changes in assumptions	(1,561,583)
Benefit payments	<u>(1,199,657)</u>
<b>Net changes</b>	<u>(6,698,517)</u>
<b>Balances as of December 31, 2022</b>	<u>\$16,783,407</u>

### OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the District recognized OPEB expense of \$1,089,480. At December 31, 2022, the District had deferred inflows of resources and deferred outflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$4,747,625
Changes in assumptions	2,745,551	1,366,385
Contributions subsequent to the measurement date	<u>630,748</u>	<u>-</u>
	<u>\$3,376,299</u>	<u>\$6,114,010</u>

The \$630,748 amount reported in deferred outflows of resources resulting from the District's benefit payments subsequent to the measurement date will be recognized as a reduction in next year's total OPEB liability. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

### Year ended December 31,

2023	\$ (399,100)
2024	(399,100)
2025	(399,100)
2026	(399,100)
2027	(399,100)
Thereafter	<u>(1,372,959)</u>
	<u>\$(3,368,459)</u>

### Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the OPEB liability for December 31, 2022, calculated using current healthcare cost trends as well as what the OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$15,631,383</u>	<u>\$16,783,407</u>	<u>\$18,135,336</u>

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

The following presents the OPEB liability of the District calculated using the discount rate of 2.25%, as well as what the net OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (1.25%) or 1 percentage point higher (3.25%) than the current rate:

**THE SCHOOL DISTRICT OF THE CITY OF SCRANTON**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022**

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	<u>1% Decrease</u> <u>1.25%</u>	<u>Current Discount Rate</u> <u>2.25%</u>	<u>1% Increase</u> <u>3.25%</u>
OPEB liability	<u>\$19,349,549</u>	<u>\$16,783,407</u>	<u>\$14,787,636</u>

**Actuarial Methods and Significant Assumptions**

The OPEB liability as of December 31, 2022, was determined by rolling forward the OPEB liability as of January 1, 2022 to December 31, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal
- Discount rate – 2.25% – Bond Buyers 20-Bond Index. The discount rate changed from 1.93% to 2.25%.
- Salary growth – salary increases are composed of 2.50% cost of living adjustment, 1.00% for real wage growth and for teachers and administration a merit increase which varies by age from 2.75% to 0.00%.
- Assumed healthcare cost trends – 6.50% in 2022, 6.00% in 2023 and 5.50% in 2024-2025. Rates gradually decrease from 5.40% in 2026 to 3.90% in 2075 and later.
- Mortality – separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

**Cost Sharing Multiple-Employer Defined Benefit OPEB Plan**

PSERS provides health insurance premium assistance which is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of December 31, 2022, there were no assumed future benefit increases to participating eligible retirees.

Retirees of PSERS can participate in the health insurance premium assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age

For Class DC members to become eligible for health insurance premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

**Benefits Provided**

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program.



**THE SCHOOL DISTRICT OF THE CITY OF SCRANTON**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022**

**Employer Contributions**

The District’s contractually required contribution rate for the period July 1, 2022 to December 31, 2022 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$247,692 for the period July 1, 2022, to December 31, 2022.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At December 31, 2022, the District reported a liability of \$8,307,400 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS’ total OPEB liability as of June 30, 2021 to June 30, 2022. The District’s proportion of the net OPEB liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At December 31, 2022, the District’s proportion was 0.4513 percent, which was an increase of 0.0397 percent from its proportion measured as of December 31, 2021. As of December 31, 2022, the OPEB liability of \$8,307,400 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

For the year ended December 31, 2022, the District recognized OPEB expense of \$20,000. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference between projected and actual experience	\$ 76,000	\$ 45,000
Changes in assumptions	922,000	1,962,000
Net difference between projected and actual investment earnings	23,000	-
Changes in proportions	702,000	1,194,000
Contributions subsequent to the measurement date	<u>247,692</u>	<u>-</u>
	<b><u>\$1,970,692</u></b>	<b><u>\$3,201,000</u></b>

\$247,692 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended December 31,**

2023	\$ (432,000)
2024	(338,000)
2025	(289,000)
2026	(205,000)
2027	(214,000)
Thereafter	<u>-</u>
	<b><u>\$(1,478,000)</u></b>

**Actuarial Assumptions**

The net OPEB liability as of December 31, 2022, was determined by rolling forward the PSERS’ net OPEB liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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- Actuarial cost method - entry age normal - level % of pay
- Investment return – 4.09% - Standard & Poor's 20-year municipal bond rate
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: the actual data for retirees benefiting under the OPEB plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments consist primarily of short term assets designed to protect the principal of the OPEB plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year.

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	<u>100.00%</u>	0.50%

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

### Discount Rate

The discount rate used to measure the OPEB liability was 4.09%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the Standard & Poor's 20 year municipal bond rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

### Sensitivity of District's Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2022, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for December 31, 2022, calculated using current healthcare cost trends as well as what net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$8,306,556</u>	<u>\$8,307,400</u>	<u>\$8,308,076</u>

### Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>3.09%</u>	<u>4.09%</u>	<u>5.09%</u>
District's proportionate share of the net OPEB liability	<u>\$9,394,671</u>	<u>\$8,307,400</u>	<u>\$7,397,583</u>

### OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on PSERS's website at [www.psers.pa.gov](http://www.psers.pa.gov).

## (11) PENSION PLAN

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System ("**PSERS**") and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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### Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

### Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally equal to 1.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

### Contributions

#### Member Contributions

The contribution rates based on qualified member compensation for virtually all members are presented below:

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%
Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/-0.50%	5.50%	9.50%
T-F	10.30%	+/-0.50%	8.30%	12.30%
T-G	5.50%	+/-0.75%	2.50%	8.50%
T-H	4.50%	+/-0.75%	1.50%	7.50%

### **Employer Contributions**

The District's contractually required contribution rate for the period July 1, 2022 to December 31, 2022 was 34.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$11,397,148 for the period July 1, 2022 to December 31, 2022.

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2022, the District reported a liability of \$200,686,671 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At December 31, 2022, the District's proportion was 0.4514 percent, which was an increase of 0.0391 percent from its proportion measured as of December 31, 2021. As of December 31, 2022, the net pension liability of \$200,686,671 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

For the year ended December 31, 2022, the District recognized pension expense of \$8,722,000. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**THE SCHOOL DISTRICT OF THE CITY OF SCRANTON**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 91,000	\$ 1,736,000
Changes in assumptions	5,993,000	-
Net difference between projected and actual investment earnings	-	3,405,000
Changes in proportions	13,522,000	9,498,000
Contributions subsequent to the measurement date	<u>11,397,148</u>	<u>-</u>
	<u>\$31,003,148</u>	<u>\$14,639,000</u>

\$11,397,148 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended December 31,**

2023	\$ (15,000)
2024	951,000
2025	(722,000)
2026	<u>4,753,000</u>
	<u>\$4,967,000</u>

**Actuarial Assumptions**

The total pension liability as of June 30, 2022 was determined by rolling forward PSERS' total pension liability at June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2021
- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.75%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
  - Salary growth rate - decreased from 5.00% to 4.50%.
  - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
  - Mortality rates - Previously based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	28.00%	5.30%
Private equity	12.00%	8.00%
Fixed income	33.00%	2.30%
Commodities	9.00%	2.30%
Infrastructure/MLPs	9.00%	5.40%
Real estate	11.00%	4.60%
Absolute return	6.00%	3.50%
Cash	3.00%	0.50%
Leverage	<u>(11.00)%</u>	0.50%
	<u>100.00%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

### Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
District's proportionate share of the net pension liability	<u>\$259,574,482</u>	<u>\$200,686,671</u>	<u>\$151,037,117</u>

### Pension Plan Fiduciary Net Position

Detailed information about the PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the system's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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### (12) RETIREMENT INCENTIVES

Eligible employees of the District are entitled to receive a retirement incentive in accordance with a collective bargaining agreement. The incentive for teachers with 20 years of service within PSERS is \$10,000 per year for seven years to be paid beginning in March following the year of retirement. Teachers who have attained an age of 62 with 10 to 20 years of service within PSERS is \$2,000 per year for five years. The same incentive is offered to District Administrators covered by an ACT 93 agreement. The incentive for paraprofessional with 15 years of service is a single lump sum payment of \$6,000 to be paid beginning in March following the year of retirement. The incentive for maintenance and clerical employees is as follows, \$6,500 per year for three years and co-pay health insurance with 30 years of service, \$6,500 for three years no health insurance with 20 years of service and \$2,000 for three years no health insurance with 10 years of service. At certain times beginning in 2015 the District had entered into Memorandum of Understanding enhancing the benefit to encourage retirements. The incentives varied depending on the bargaining unit however the largest incentive is \$15,000 per year for 10 years for teachers and administrators. As of December 31, 2022, this liability is recorded in the accompanying governmental-wide statement of net position (deficit) and totaled \$4,166,500.

### (13) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

#### Career Technology Center of Lackawanna County

The District and seven other Lackawanna County school districts participate in the Career Technology Center of Lackawanna County (the "**CTCLC**"). The CTCLC provides vocational-technical training and education to students of the participating school districts. The CTCLC is controlled by a Joint Operating Committee (the "**JOC**") comprised of representative School Board members of the participating school districts. District oversight of the CTCLC operations is the responsibility of the JOC. The District's share of operating costs for the CTCLC fluctuates based on the District's percentage of enrollment. During 2022, the District's share of operating costs was \$2,045,226. The CTCLC prepares financial statements that are available to the public from their administrative offices located at 3201 Rockwell Avenue, Scranton, PA 18508.

#### Scranton Single Tax Office

The District and the City of Scranton share the payroll and benefit costs of the Scranton Single Tax Office (the "**Office**") which collects current real estate, local services and business privilege/mercantile taxes for the District, the City of Scranton, and Lackawanna County. The Office's management is appointed by the District and City and has decision making authority and the ability to significantly influence operations and primary accountability for fiscal matters. During 2022, the District's share of payroll and benefit cost was \$493,417. The Office prepares financial statements that are available to the public from their administrative offices located at 123 Wyoming Avenue, Scranton, PA 18503.

#### Northeastern Educational Intermediate Unit

The District and 19 other school districts from Lackawanna, Wayne and Susquehanna counties are participating members of the Northeastern Educational Intermediate Unit (the "**NEIU**"). The NEIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the NEIU but the participating districts have no ongoing fiduciary interest or responsibility to the NEIU. The NEIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and state and federal liaison services. During 2022, the District contracted with the NEIU for services which totaled \$1,344,236.



# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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### (14) CONTINGENCIES AND COMMITMENTS

#### Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

#### Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

### (15) RISK MANAGEMENT

The District 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. Significant losses are covered by commercial insurance for all major programs, including workers compensation and employee health accident insurance. For insured programs, there were no significant reductions in insurance coverages during the 2022 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The District administers a self-insurance program to provide health insurance, workers compensation, unemployment and related expenses for eligible employees, spouses and their dependents. Accordingly, benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims. The District has recorded a liability for claims incurred through December 31, 2022 and are typically satisfied shortly after year end.

### (16) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 9, 2024, the date on which the financial statements were available to be issued. Except as noted below, no material subsequent events have occurred since December 31, 2022 that required recognition or disclosure in the financial statements.

In February, 2023, the District issued \$46,550,000 of general obligation bonds, Series of 2023, to be used (1) to fund various capital projects of the District; (2) to currently refund the District's outstanding general obligation notes, Series of 2014; (3) to terminate an outstanding interest rate swap hedging the general obligation notes, Series of 2014; and (4) to pay for the costs of issuance.

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**REQUIRED SUPPLEMENTARY INFORMATION**

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Local sources	\$ 69,328,679	\$ 69,328,679	\$ 72,876,279	\$ 3,547,600
State sources	98,205,947	98,205,947	100,412,612	2,206,665
Federal sources	28,115,516	28,115,516	22,220,709	(5,894,807)
<b>Total revenues</b>	<u>195,650,142</u>	<u>195,650,142</u>	<u>195,509,600</u>	<u>(140,542)</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular programs	87,589,483	87,616,383	88,772,122	(1,155,739)
Special programs	29,316,555	29,316,555	29,540,116	(223,561)
Vocational education	2,018,606	2,018,606	2,059,873	(41,267)
Other instructional programs	7,475,115	7,475,115	206,307	7,268,808
Nonpublic school programs	265,200	265,200	246,361	18,839
<b>Total instruction</b>	<u>126,664,959</u>	<u>126,691,859</u>	<u>120,824,779</u>	<u>5,867,080</u>
<b>Support services</b>				
Pupil personnel services	5,526,428	5,526,428	5,346,010	180,418
Instructional staff services	2,049,475	2,049,475	2,005,451	44,024
Administrative services	7,753,959	7,753,959	7,969,889	(215,930)
Pupil health	2,473,529	2,473,529	2,238,284	235,245
Business services	1,410,057	1,410,057	1,189,702	220,355
Operation and maintenance of plant services	14,877,999	14,885,499	17,150,146	(2,264,647)
Student transportation services	5,492,198	5,492,198	5,627,457	(135,259)
Support services - central	3,637,500	3,667,750	3,874,153	(206,403)
Other support services	70,000	70,000	60,883	9,117
<b>Total support services</b>	<u>43,291,145</u>	<u>43,328,895</u>	<u>45,461,975</u>	<u>(2,133,080)</u>
<b>Operation of noninstructional services</b>				
Student activities	1,316,394	1,352,099	1,235,925	116,174
Community services	196,292	196,292	183,727	12,565
<b>Total operation of noninstructional services</b>	<u>1,512,686</u>	<u>1,548,391</u>	<u>1,419,652</u>	<u>128,739</u>
<b>Facilities acquisition, construction and improvement services</b>				
	<u>5,000,000</u>	<u>5,000,000</u>	<u>7,206,654</u>	<u>(2,206,654)</u>
<b>Debt service</b>				
	<u>17,673,751</u>	<u>17,673,751</u>	<u>17,743,189</u>	<u>(69,438)</u>
<b>Total expenditures</b>	<u>194,142,541</u>	<u>194,242,896</u>	<u>192,656,249</u>	<u>1,586,647</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>1,507,601</u>	<u>1,407,246</u>	<u>2,853,351</u>	<u>1,446,105</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refund of prior year receipts	(270,000)	(270,000)	(980,000)	(710,000)
Transfers in	435,000	435,000	-	(435,000)
Transfers out	-	-	(474,099)	(474,099)
Budgetary reserve	(1,672,605)	(1,572,250)	-	1,572,250
<b>Total other financing sources (uses)</b>	<u>(1,507,605)</u>	<u>(1,407,250)</u>	<u>(1,454,099)</u>	<u>(46,849)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (4)</u>	<u>\$ (4)</u>	<u>1,399,252</u>	<u>\$ 1,399,256</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>16,950,802</u>	
End of year			<u>\$ 18,350,054</u>	

**THE SCHOOL DISTRICT OF THE CITY OF SCRANTON**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PSERS**

**Year ended June 30**

	Measurement Date								
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.4514%	0.4123%	0.4478%	0.4558%	0.4958%	0.5238%	0.5316%	0.5245%	0.4819%
District's proportionate share of the net pension liability	\$ 200,686,671	\$ 169,276,898	\$ 220,492,314	\$ 213,235,127	\$ 238,009,000	\$ 258,696,000	\$ 263,444,000	\$ 227,189,000	\$ 190,740,000
District's covered payroll	\$ 66,366,747	\$ 58,354,311	\$ 62,807,048	\$ 62,860,310	\$ 66,772,877	\$ 69,731,951	\$ 68,843,258	\$ 67,489,351	\$ 61,492,613
District's proportionate share of the net pension liability as a percentage of its covered payroll	302.39%	290.08%	351.06%	339.22%	356.45%	370.99%	382.67%	336.63%	310.18%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**THE SCHOOL DISTRICT OF THE CITY OF SCRANTON**

**SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS**

**Year ended June 30**

	<b>Measurement Date</b>									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Contractually required contribution	\$ 22,501,022	\$ 19,593,814	\$ 20,791,044	\$ 20,411,800	\$ 21,038,000	\$ 20,035,000	\$ 16,913,000	\$ 13,543,000	\$ 9,600,000	
Contributions in relation to the contractually required contribution	<u>\$ 22,501,022</u>	<u>\$ 19,593,814</u>	<u>\$ 20,791,044</u>	<u>\$ 20,411,800</u>	<u>\$ 21,038,000</u>	<u>\$ 20,035,000</u>	<u>\$ 16,913,000</u>	<u>\$ 13,543,000</u>	<u>\$ 9,600,000</u>	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	
District's covered payroll	\$ 66,366,747	\$ 58,354,311	\$ 62,807,048	\$ 62,860,310	\$ 66,772,877	\$ 69,731,951	\$ 68,843,258	\$ 67,489,351	\$ 61,492,613	
Contributions as a percentage of covered payroll	33.90%	33.58%	33.10%	32.47%	31.51%	28.73%	24.57%	20.07%	15.61%	

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**THE SCHOOL DISTRICT OF THE CITY OF SCRANTON**

**SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN**

Year ended December 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>TOTAL OPEB LIABILITY</b>			
Service cost	\$ 1,028,079	\$ 759,491	\$ 665,948
Interest on total OPEB liability	460,501	664,713	703,425
Differences between expected and actual experience	(5,425,857)	-	-
Change of assumptions	(1,561,583)	2,991,229	803,408
Benefit payments	<u>(1,199,657)</u>	<u>(1,230,625)</u>	<u>(1,166,470)</u>
<b>Net change in total OPEB liability</b>	(6,698,517)	3,184,808	1,006,311
<b>Total OPEB liability, beginning</b>	<u>23,481,924</u>	<u>20,297,116</u>	<u>19,290,805</u>
<b>Total OPEB liability, ending</b>	<u>\$ 16,783,407</u>	<u>\$ 23,481,924</u>	<u>\$ 20,297,116</u>
<b>Fiduciary net position as a % of total OPEB liability</b>	0.00%	0.00%	0.00%
<b>Covered payroll</b>	\$ 63,297,321	\$ 54,666,758	\$ 54,666,768
<b>Net OPEB liability as a % of covered payroll</b>	26.52%	42.95%	37.13%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**THE SCHOOL DISTRICT OF THE CITY OF SCRANTON**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY -PSERS**

**Year ended June 30**

	<u>Measurement Date</u>					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.4513%	0.4116%	0.4475%	0.4558%	0.4958%	0.5238%
District's proportionate share of the net OPEB liability	\$ 8,307,400	\$ 9,755,262	\$ 9,669,119	\$ 9,694,146	\$ 10,337,000	\$ 10,672,000
District's covered payroll	\$ 66,366,747	\$ 58,345,311	\$ 62,807,048	\$ 62,860,310	\$ 66,772,877	\$ 69,731,951
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	12.52%	16.72%	15.39%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.



**THE SCHOOL DISTRICT OF THE CITY OF SCRANTON**

**SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS**

**Year ended June 30**

	<u>Measurement Date</u>					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 526,997	\$ 478,958	\$ 526,810	\$ 552,215	\$ 554,000	\$ 579,000
Contributions in relation to the contractually required contribution	<u>\$ 526,997</u>	<u>\$ 478,958</u>	<u>\$ 526,810</u>	<u>\$ 552,215</u>	<u>\$ 554,000</u>	<u>\$ 579,000</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered payroll	\$ 66,366,747	\$ 58,345,311	\$ 62,807,048	\$ 62,860,310	\$ 66,772,877	\$ 69,731,951
Contributions as a percentage of covered payroll	0.79%	0.82%	0.84%	0.83%	0.83%	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

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## **SUPPLEMENTARY INFORMATION**

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## BUDGETARY COMPARISON SCHEDULE - REVENUES - GENERAL FUND

December 31, 2022

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
<b>Local sources</b>			
Current real estate taxes	\$ 43,553,679	\$ 44,766,173	\$ 1,212,494
Public utility realty tax	65,000	61,603	(3,397)
Payment in lieu of current taxes	65,000	83,514	18,514
Occupational taxes	165,000	167,058	2,058
Earned income taxes	11,300,000	13,251,326	1,951,326
Real estate transfer taxes	700,000	1,387,420	687,420
Business privilege and mercantile taxes	6,500,000	7,181,496	681,496
Delinquent real estate taxes	4,600,000	4,331,395	(268,605)
Earnings on investments	125,000	152,428	27,428
Rentals	80,000	68,678	(11,322)
Summer school tuition	25,000	-	(25,000)
Receipts other LEAs	450,000	863,253	413,253
Other miscellaneous revenue	1,700,000	561,935	(1,138,065)
<b>Total local sources</b>	<u>69,328,679</u>	<u>72,876,279</u>	<u>3,547,600</u>
<b>State sources</b>			
Basic instructional subsidy	51,784,683	53,985,820	2,201,137
Level up supplement	-	2,315,820	2,315,820
Tuition for orphans and children placed in private homes	30,000	24,901	(5,099)
Special education funding for school aged pupils	7,498,764	7,909,269	410,505
Pupil transportation subsidy	400,000	(169,282)	(569,282)
Nonpublic and charter school pupil transportation subsidy	125,000	152,268	27,268
Rental and sinking fund payments	1,250,000	1,125,208	(124,792)
Health services	200,000	393,484	193,484
State property tax reduction allocation	4,373,701	4,373,701	-
Ready to learn block grant	7,836,814	7,836,814	-
Other state revenue	100,000	20,990	(79,010)
State share of social security and medicare taxes	3,797,406	3,840,209	42,803
State share of retirement contributions	20,809,579	18,603,410	(2,206,169)
<b>Total state sources</b>	<u>98,205,947</u>	<u>100,412,612</u>	<u>2,206,665</u>
<b>Federal sources</b>			
Federal IDEA revenue received as passthrough	2,180,000	2,271,250	91,250
Title I - Improving the academic achievement of disadvantaged	5,320,000	5,405,167	85,167
Title II - Preparing, training and recruiting high quality teachers and principals	570,000	683,254	113,254
Title III - Language instruction for limited english proficient and immigrant students	170,000	268,311	98,311
Title IV	360,000	553,190	193,190
Education stabilization fund (ESSER)	18,505,516	11,971,603	(6,533,913)
Other restricted federal grants-in-aid through the Commonwealth of PA	160,000	131,196	(28,804)
School based access medicaid reimbursement program reimbursements (ACCESS)	850,000	936,738	86,738
<b>Total federal sources</b>	<u>28,115,516</u>	<u>22,220,709</u>	<u>(5,894,807)</u>
<b>Total revenues</b>	<u>\$ 195,650,142</u>	<u>\$ 195,509,600</u>	<u>\$ (140,542)</u>

**THE SCHOOL DISTRICT OF THE CITY OF SCRANTON**

**BUDGETARY COMPARISON SCHEDULE - EXPENDITURES - GENERAL FUND**

Year ended December 31, 2022

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>EXPENDITURES</b>			
<b>Instruction</b>			
<b>Regular programs</b>			
Salaries	\$ 44,832,497	\$ 47,476,342	\$ (2,643,845)
Employee benefits	30,479,364	30,336,922	142,442
Purchased professional and technical services	1,119,748	708,662	411,086
Purchased property services	216,605	230,545	(13,940)
Other purchased services	8,818,556	8,004,704	813,852
Supplies	1,989,332	1,776,361	212,971
Equipment	103,502	208,852	(105,350)
Other	56,779	29,734	27,045
<b>Total regular programs</b>	<u>87,616,383</u>	<u>88,772,122</u>	<u>(1,155,739)</u>
<b>Special programs</b>			
Salaries	12,554,225	11,765,816	788,409
Employee benefits	8,384,621	7,937,674	446,947
Purchased professional and technical services	2,201,661	3,928,723	(1,727,062)
Other purchased services	5,907,322	5,693,550	213,772
Supplies	148,172	149,310	(1,138)
Equipment	117,749	64,382	53,367
Other	2,805	661	2,144
<b>Total special programs</b>	<u>29,316,555</u>	<u>29,540,116</u>	<u>(223,561)</u>
<b>Vocational education</b>			
Other purchased services	2,000,000	2,045,226	(45,226)
Supplies	16,566	13,281	3,285
Equipment	2,040	1,366	674
<b>Total vocational education</b>	<u>2,018,606</u>	<u>2,059,873</u>	<u>(41,267)</u>
<b>Other instructional programs</b>			
Salaries	5,177,950	125,361	5,052,589
Employee benefits	2,278,165	77,444	2,200,721
Other purchased services	19,000	2,650	16,350
Supplies	-	852	(852)
<b>Total other instructional programs</b>	<u>7,475,115</u>	<u>206,307</u>	<u>7,268,808</u>
<b>Nonpublic school programs</b>			
Purchased professional and technical services	265,200	203,734	61,466
Other purchased services	-	4,856	(4,856)
Supplies	-	37,771	(37,771)
<b>Total nonpublic school programs</b>	<u>265,200</u>	<u>246,361</u>	<u>18,839</u>

**THE SCHOOL DISTRICT OF THE CITY OF SCRANTON**

**BUDGETARY COMPARISON SCHEDULE - EXPENDITURES - GENERAL FUND**

Year ended December 31, 2022

	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Support services</b>			
<b>Pupil personnel services</b>			
Salaries	2,879,841	2,794,427	85,414
Employee benefits	2,556,733	2,519,130	37,603
Purchased professional and technical services	65,000	21,033	43,967
Purchased property services	2,106	-	2,106
Other purchased services	3,137	969	2,168
Supplies	19,611	9,151	10,460
Other	-	1,300	(1,300)
<b>Total pupil personnel services</b>	<u>5,526,428</u>	<u>5,346,010</u>	<u>180,418</u>
<b>Instructional staff services</b>			
Salaries	1,041,176	1,125,976	(84,800)
Employee benefits	709,118	737,968	(28,850)
Purchased professional and technical services	135,720	104,198	31,522
Purchased property services	3,346	2,516	830
Other purchased services	10,200	12,665	(2,465)
Supplies	119,259	19,581	99,678
Equipment	27,300	2,547	24,753
Other	3,356	-	3,356
<b>Total instructional staff services</b>	<u>2,049,475</u>	<u>2,005,451</u>	<u>44,024</u>
<b>Administrative services</b>			
Salaries	4,052,128	4,191,595	(139,467)
Employee benefits	2,961,476	2,908,220	53,256
Purchased professional and technical services	595,400	741,458	(146,058)
Purchased property services	8,812	4,799	4,013
Other purchased services	52,906	47,230	5,676
Supplies	25,687	7,354	18,333
Equipment	800	-	800
Other	56,750	69,233	(12,483)
<b>Total administrative services</b>	<u>7,753,959</u>	<u>7,969,889</u>	<u>(215,930)</u>
<b>Pupil health</b>			
Salaries	1,294,692	1,293,489	1,203
Employee benefits	883,392	874,621	8,771
Purchased professional and technical services	241,009	41,702	199,307
Purchased property services	15,840	1,140	14,700
Other purchased services	1,584	-	1,584
Supplies	37,012	26,803	10,209
Equipment	-	529	(529)
<b>Total pupil health</b>	<u>2,473,529</u>	<u>2,238,284</u>	<u>235,245</u>

**THE SCHOOL DISTRICT OF THE CITY OF SCRANTON**

**BUDGETARY COMPARISON SCHEDULE - EXPENDITURES - GENERAL FUND**

Year ended December 31, 2022

	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Business services</b>			
Salaries	705,055	597,239	107,816
Employee benefits	499,402	437,138	62,264
Purchased professional and technical services	98,600	104,766	(6,166)
Purchased property services	32,000	12,106	19,894
Other purchased services	13,000	163	12,837
Supplies	60,000	34,777	25,223
Other	2,000	3,513	(1,513)
<b>Total business services</b>	<u>1,410,057</u>	<u>1,189,702</u>	<u>220,355</u>
<b>Operation and maintenance of plant services</b>			
Salaries	5,533,846	5,153,950	379,896
Employee benefits	4,130,502	3,941,650	188,852
Purchased professional and technical services	285,000	702,051	(417,051)
Purchased property services	2,438,801	3,445,716	(1,006,915)
Other purchased services	763,850	939,770	(175,920)
Supplies	1,283,500	2,610,709	(1,327,209)
Equipment	450,000	355,550	94,450
Other	-	750	(750)
<b>Total operation and maintenance of plant services</b>	<u>14,885,499</u>	<u>17,150,146</u>	<u>(2,264,647)</u>
<b>Student transportation services</b>			
Salaries	105,758	102,706	3,052
Employee benefits	76,392	76,128	264
Other purchased services	5,310,048	5,438,182	(128,134)
Supplies	-	10,441	(10,441)
<b>Total student transportation services</b>	<u>5,492,198</u>	<u>5,627,457</u>	<u>(135,259)</u>
<b>Support services - central</b>			
Salaries	1,072,351	1,231,019	(158,668)
Employee benefits	1,017,801	1,089,838	(72,037)
Purchased professional and technical services	769,998	767,897	2,101
Other purchased services	16,500	7,094	9,406
Supplies	84,100	69,706	14,394
Equipment	706,000	706,720	(720)
Other	1,000	1,879	(879)
<b>Total support services - central</b>	<u>3,667,750</u>	<u>3,874,153</u>	<u>(206,403)</u>
<b>Other support services</b>			
Other purchased services	70,000	60,883	9,117

**THE SCHOOL DISTRICT OF THE CITY OF SCRANTON**

**BUDGETARY COMPARISON SCHEDULE - EXPENDITURES - GENERAL FUND**

Year ended December 31, 2022

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Operation of noninstructional services</b>			
<b>Student activities</b>			
Salaries	557,376	550,437	6,939
Employee benefits	241,393	182,885	58,508
Purchased professional and technical services	79,092	88,798	(9,706)
Purchased property services	27,030	25,194	1,836
Other purchased services	170,302	109,863	60,439
Supplies	55,139	59,635	(4,496)
Equipment	94,097	77,450	16,647
Other	127,670	141,663	(13,993)
<b>Total student activities</b>	<u>1,352,099</u>	<u>1,235,925</u>	<u>116,174</u>
<b>Community services</b>			
Salaries	98,800	137,478	(38,678)
Employee benefits	43,470	13,663	29,807
Purchased professional and technical services	-	140	(140)
Supplies	54,022	32,446	21,576
<b>Total community services</b>	<u>196,292</u>	<u>183,727</u>	<u>12,565</u>
<b>Facilities Acquisition Construction and Improvement</b>			
Purchased property services	5,000,000	7,206,654	(2,206,654)
<b>Debt service</b>			
Principal	8,935,000	8,930,000	5,000
Interest	8,738,751	8,813,189	(74,438)
<b>Total debt service</b>	<u>17,673,751</u>	<u>17,743,189</u>	<u>(69,438)</u>
<b>Total expenditures</b>	<u>\$ 194,242,896</u>	<u>\$ 192,656,249</u>	<u>\$ 1,586,647</u>



**SINGLE AUDIT**

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended December 31, 2022

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<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue January 1, 2022</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue December 31, 2022</u>	<u>Passed Through to Subrecipients</u>
<b>U.S. Department of Education</b>											
<b>Passed-Through the Pennsylvania Department of Education</b>											
Title I - Improving Basic Programs	I	84.010	013-210376	07/01/2020 - 09/30/2021	\$ 4,792,044	\$ -	\$ (242,131)	\$ 242,131	\$ 242,131	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-220376	07/01/2021 - 09/30/2022	5,354,452	4,987,896	-	4,987,896	4,987,896	-	-
Title I - Improving Basic Programs	I	84.010	013-230376	07/01/2022 - 09/30/2023	5,281,799	1,056,384	-	155,243	155,243	(901,141)	-
Title I - Delinquent	I	84.010	107-210376	07/01/2020 - 09/30/2021	9,246	6,780	-	6,780	6,780	-	-
Title I - Delinquent	I	84.010	107-220376	07/01/2021 - 09/30/2022	17,885	13,116	-	13,116	13,116	-	-
Title I - Delinquent	I	84.010	107-230376	07/01/2022 - 09/30/2023	22,550	4,510	-	-	-	(4,510)	-
Total ALN #84.010						6,068,686	(242,131)	5,405,166	5,405,166	(905,651)	-
Title II - Improving Teacher Quality	I	84.367	020-210376	07/01/2020 - 09/30/2021	548,261	-	(106,560)	106,560	106,560	-	-
Title II - Improving Teacher Quality	I	84.367	020-220376	07/01/2021 - 09/30/2022	578,522	538,519	-	538,519	538,519	-	-
Title II - Improving Teacher Quality	I	84.367	020-230376	07/01/2022 - 09/30/2023	539,921	106,625	-	38,175	38,175	(68,450)	-
Total ALN #84.367						645,144	(106,560)	683,254	683,254	(68,450)	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-210376	07/01/2020 - 09/30/2021	297,932	39,724	-	39,724	39,724	-	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-220376	07/01/2021 - 09/30/2022	171,897	169,761	-	169,761	169,761	-	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-230376	07/01/2022 - 09/30/2023	175,322	33,069	-	58,826	58,826	25,757	-
Total ALN #84.365						242,554	-	268,311	268,311	25,757	-
Title IV - Student Support and Academic Achievement	I	84.424	144-210376	07/01/2020 - 09/30/2021	367,632	49,018	2,298	46,720	46,720	-	-
Title IV - Student Support and Academic Achievement	I	84.424	144-220376	07/01/2021 - 09/30/2022	360,368	336,315	-	336,315	336,315	-	-
Title IV - Student Support and Academic Achievement	I	84.424	144-230376	07/01/2022 - 09/30/2023	420,134	80,045	-	170,155	170,155	90,110	-
Total ALN #84.424						465,378	2,298	553,190	553,190	90,110	-
COVID-19 Education Stabilization Fund	I	84.425D	200-200376	03/13/2020 - 09/30/2022	3,981,491	628,656	73,227	555,429	555,429	-	-
COVID-19 SECIM	I	84.425C	252-200376	03/13/2020 - 09/30/2022	170,245	107,523	-	107,523	107,523	-	-
COVID-19 aTSI GEER	I	84.425C	254-200376	03/13/2020 - 09/30/2022	439,330	92,491	(24,527)	117,018	117,018	-	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue January 1, 2022</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue December 31, 2022</u>	<u>Passed Through to Subrecipients</u>
COVID-19 CRRSA Act - ESSER II Fund Local	I	84.425D	200-210376	03/13/2020 - 09/30/2023	17,695,526	4,938,286	759,755	6,328,955	6,328,955	2,150,424	-
COVID-19 ARP Act - ESSER III Fund Local	I	84.425U	223-210376	03/13/2020 - 09/30/2024	35,792,928	5,206,244	2,096,099	4,409,658	4,409,658	1,299,513	-
COVID-19 ARP ESSER 7% Set Aside	I	84.425U	225-210376	03/13/2020 - 09/30/2024	1,987,083	469,674	-	264,618	264,618	(205,056)	-
COVID-19 ARP ESSER 7% Set Aside	I	84.425U	225-210376	03/13/2020 - 09/30/2024	397,416	93,934	-	93,934	93,934	-	-
COVID-19 ARP ESSER 7% Set Aside	I	84.425U	225-210376	03/13/2020 - 09/30/2024	397,416	93,935	-	93,935	93,935	-	-
COVID-19 ARP ESSER Homeless Children & `	I	84.425W	181-212385	03/13/2020 - 09/30/2024	150,141	15,399	-	534	534	(14,865)	-
COVID-19 ARP ESSER 2.5%	I	84.425U	224-210376	03/13/2020 - 09/30/2024	402,867	31,739	-	-	-	(31,739)	-
Total ALN #84.425						<u>11,677,881</u>	<u>2,904,554</u>	<u>11,971,604</u>	<u>11,971,604</u>	<u>3,198,277</u>	<u>-</u>
<b><u>Passed-Through the Northeastern Educational Intermediate Unit 19</u></b>											
I.D.E.A. - Part B, Section 611	I	84.027	062-220019	07/01/2022 - 09/30/2023	2,271,250	-	-	2,271,250	2,271,250	2,271,250	-
Total U.S. Department of Education						<u>19,099,643</u>	<u>2,558,161</u>	<u>21,152,775</u>	<u>21,152,775</u>	<u>4,611,293</u>	<u>-</u>
<b><u>U.S. Department of Health and Human Services</u></b>											
<b><u>Passed-Through Pennsylvania Department of Education</u></b>											
Temporary Assistance for Needy Families	I	93.558	4100089879	07/01/2021 - 06/30/2022	199,000	132,234	67,619	64,615	64,615	-	-
Temporary Assistance for Needy Families	I	93.558	4100089879	07/01/2022 - 06/30/2023	199,000	-	-	66,580	66,580	66,580	-
Total ALN #93.558						<u>132,234</u>	<u>67,619</u>	<u>131,195</u>	<u>131,195</u>	<u>66,580.00</u>	<u>-</u>
<b><u>Passed-Through Pennsylvania Department of Human Services</u></b>											
Medical assistance program reimbursement for administration	I	93.778	N/A	01/01/2022 - 12/31/2022	N/A	190,470	-	190,470	190,470	-	-
Total U.S. Department of Health and Human Services						<u>322,704</u>	<u>67,619</u>	<u>321,665</u>	<u>321,665</u>	<u>66,580.00</u>	<u>-</u>
<b><u>U.S. Department of Agriculture</u></b>											
<b><u>Passed-Through the Pennsylvania Department of Education</u></b>											
Fresh Fruit and Vegetable Program	I	10.582	N/A	01/01/2022 - 12/31/2022	N/A	249,628	-	271,888	271,888	22,260	-
Breakfast Program	S	N/A	N/A	01/01/2022 - 12/31/2022	N/A	64,074	2,157	74,706	74,706	12,789	-
						<u>64,074</u>	<u>2,157</u>	<u>74,706</u>	<u>74,706</u>	<u>12,789</u>	<u>-</u>

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue January 1, 2022</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue December 31, 2022</u>	<u>Passed Through to Subrecipients</u>
National School Lunch Program	S	N/A	N/A	01/01/2022 - 12/31/2022	N/A	116,496	3,639	136,061	136,061	23,204	-
						116,496	3,639	136,061	136,061	23,204	-
P-EBT Local Admin Funds	I	10.649	N/A	01/01/2022 - 12/31/2022	N/A	11,764	-	11,764	11,764	-	-
Breakfast Program	I	10.553	N/A	01/01/2021 - 12/31/2021	N/A	53,124	53,124	-	-	-	-
Breakfast Program	I	10.553	N/A	01/01/2022 - 12/31/2022	N/A	1,615,189	-	1,956,656	1,956,656	341,467	-
						1,668,313	53,124	1,956,656	1,956,656	341,467	-
Summer Food Service Program	I	10.559	N/A	01/01/2022 - 12/31/2022	N/A					-	-
Summer Food Service Program	I	10.559	N/A	01/01/2022 - 12/31/2022	N/A	56,011	-	56,011	56,011	-	-
						56,011	-	56,011	56,011	-	-
Supply Chain Assistance	I	10.555	N/A	01/01/2022 - 12/31/2022	N/A	382,296	-	382,296	382,296	-	-
National School Lunch Program	I	10.555	N/A	01/01/2021 - 12/31/2021	N/A	117,522	117,522	-	-	-	-
National School Lunch Program	I	10.555	N/A	01/01/2022 - 12/31/2022	N/A	3,767,109	-	4,518,716	4,518,716	751,607	-
<b>Passed-Through the Pennsylvania Department of Agriculture</b>											
National School Lunch Program	I	10.555	N/A	01/01/2022 - 12/31/2022	N/A	513,148	(10,133)	507,573	507,573	(15,708)	-
Total ALN #10.555						4,780,075	107,389	5,408,585	5,408,585	735,899	-
<b>Total U.S. Department of Agriculture</b>						6,946,361	166,309	7,915,671	7,915,671	1,135,619	-
<b>Total Federal Awards and Certain State Grants</b>						\$ 26,368,708	\$ 2,792,089	\$ 29,390,111	\$ 29,390,111	\$ 5,813,492	\$ -
Total Federal Awards						\$ 26,188,138	\$ 2,786,293	\$ 29,179,344	\$ 29,179,344	\$ 5,777,499	\$ -
Total State Awards						180,570	5,796	210,767	210,767	35,993	-
Total Federal Awards and Certain State Grants						\$ 26,368,708	\$ 2,792,089	\$ 29,390,111	\$ 29,390,111	\$ 5,813,492	\$ -
Child Nutrition Cluster (ALN's #10.553, #10.555, #10.582 and #10.559)						\$ 6,754,027	\$ 160,513	\$ 7,693,140	\$ 7,693,140	\$ 1,099,626	\$ -

**Source Codes**

- D - Direct Funding
- I - Indirect Funding
- S - State Share

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

December 31, 2022

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### (1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

### (2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

### (3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under ALN #10.555 National School Lunch Program and passed through the Pennsylvania Department of Agriculture represent federal surplus food consumed by the District during the 2022 fiscal year.

### (4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended December 31, 2022 was \$746,268.

### (5) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**THE SCHOOL DISTRICT OF THE CITY OF SCRANTON**

***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***

**Year ended December 31, 2022**

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There were no findings for the year ended December 31, 2021.



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

**To the Board of Directors  
The School District of the City of Scranton  
Scranton, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of the City of Scranton, Scranton, Pennsylvania, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the School District of the City of Scranton's basic financial statements, and have issued our report thereon dated April 9, 2024.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

***Compliance and Other Matters***

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

***Purpose of this Report***

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

**BBD, LLP**

**Philadelphia, Pennsylvania  
April 9, 2024**





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Directors  
The School District of the City of Scranton  
Scranton, Pennsylvania**

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

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

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

***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of the School District of the City of Scranton and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District of the City of Scranton's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District of the City of Scranton's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School District of the City of Scranton's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District of the City of Scranton's internal control over compliance. Accordingly, no such opinion is expressed.

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

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs (***See Finding SA 2022-01***). Our opinion on each major federal program is not modified with respect to this matter.

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

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a significant deficiency (**See Finding SA 2022-01**).

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District of the City of Scranton's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School District of the City of Scranton's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

**BBD, LLP**

**Philadelphia, Pennsylvania**  
**April 9, 2024**

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2022

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### SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of The School District of the City of Scranton were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the School District of Scranton are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the School District of the City of Scranton, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. One significant deficiency and no material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the School District of the City of Scranton expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The program tested as a major program was:  

Education Stabilization Fund – Elementary and Secondary Education – ALN Number 84.425
8. The threshold used for distinguishing between Type A and B programs was \$875,380.
9. The School District of the City of Scranton did not qualify as a low-risk auditee.

### FINDINGS—FINANCIAL STATEMENT AUDIT

None

### FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

#### SA 2022-01 Single Audit Submission to Federal Audit Clearinghouse

**Federal Agencies:** U.S. Department of Education

**Pass-through Entity:** Pennsylvania Department of Education

**Education Stabilization Fund – Elementary and Secondary Education – Assistance Listing #84.425**

#### Significant Deficiency

**Condition:** The audit for fiscal year 2021 was not completed and submitted timely to the Federal Audit Clearinghouse by the appropriate due date as required by the Uniform Guidance.

**Criteria:** As required by the Uniform Guidance the audit shall be completed and reporting packages shall be submitted to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit.

# THE SCHOOL DISTRICT OF THE CITY OF SCRANTON

## *SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

Year ended December 31, 2022

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**Effect:** In accordance with the Uniform Guidance, the District did not meet the criteria for a low-risk auditee because the audit was not filed by the due date.

**Cause:** Delays in the independent audit process prevented the timely filing of the audit with the Federal Audit Clearinghouse as required by the Uniform Guidance.

**Recommendation:** Implement procedures with the District to ensure the timely filing of the audit with the Federal Audit Clearinghouse as required by the Uniform Guidance.

**Management's Response:** The District has implemented financial policies and procedures to ensure a timely independent audit process and subsequent timely filing of the audit with the Federal Audit Clearinghouse.

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**Appendix D**

**Proposed Form of Opinion of Bond Counsel**

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# Stevens & Lee

425 Biden Street, Suite 300  
Scranton, PA 18503  
(570) 343-1827  
www.stevenslee.com

\_\_\_\_\_, 2025

RE: \$\_\_\_\_\_ School District of the City of Scranton, Lackawanna County,  
Pennsylvania, General Obligation Bonds, Series of 2025

TO: THE REGISTERED OWNERS OF THE ABOVE-CAPTIONED BONDS

We have served as Bond Counsel in connection with the issuance by the School District of the City of Scranton, Lackawanna County, Pennsylvania (the “School District”), of its \$\_\_\_\_\_ aggregate principal amount General Obligation Bonds, Series of 2025, dated and bearing interest from \_\_\_\_\_, 2025 (the “Bonds”). The Bonds are being issued, without the assent of the electors, in registered form, without coupons, in the aggregate principal amount of \$\_\_\_\_\_, pursuant to the provisions of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as amended, 53 Pa.C.S. Chs. 80-82 (the “Act”), and a Resolution adopted by the Board of School Directors of the School District (the “Board of School Directors”) on February 3, 2025 (the “Resolution”).

The Bonds are being issued to provide funds for a project consisting of the following: (1) planning, designing, acquiring, constructing, installing, furnishing and equipping of alterations, renovations, additions and improvements to existing facilities of the School District; (2) purchasing capital equipment for use in or in connection with the facilities of the School District; (3) additional capital projects of the School District to the extent approved by the Board of School Directors; and (4) paying the costs and expenses of issuance of the Bonds (collectively, the “Project”).

The School District has covenanted in the Resolution that it will make no use of the proceeds of the Bonds and it has neither done nor suffered and will neither do nor suffer any other action which, if such use or action had been reasonably expected on the date of issue of the Bonds, would cause the Bonds to be “arbitrage bonds,” or “private activity bonds” as those terms are defined in the Internal Revenue Code of 1986, as amended (the “Code”), and the applicable regulations thereunder. The School District has further covenanted that it will comply with the requirements of Section 148 and Section 141 of the Code and with the applicable regulations thereunder throughout the term of the Bonds.

In the Resolution, the School District has covenanted that (1) it will include in its budget in each fiscal year the amount required to pay debt service on the Bonds for such year, (2) it will appropriate from its general revenues in each such fiscal year, the amount required to pay debt service on the Bonds for such year, and (3) it will duly and punctually pay or cause to be paid when due, from its sinking fund or any other of its revenues or funds, the principal of and interest on the Bonds at the dates and place and in the manner stated therein, according to the true intent

and meaning thereof. For such budgeting, appropriation and payment, the School District has irrevocably pledged its full faith, credit and taxing power, subject to such limitations provided by law. In addition, the School District has established with The Fidelity Deposit and Discount Bank, Dunmore, Pennsylvania (the "Paying Agent"), as paying agent and sinking fund depositary, a sinking fund, and has covenanted to deposit into such sinking fund amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due and payable.

In our capacity as Bond Counsel, we have reviewed: (a) a certified copy of the Resolution; (b) the sworn debt statement and borrowing base certificate of the School District filed with the Department of Community and Economic Development of the Commonwealth of Pennsylvania (the "Department") in accordance with the provisions of the Act; (c) the proceedings of the School District and the various proofs of publication in connection with the advertisement of the Resolution, all of which were filed with the Department as required by the provisions of the Act; (d) the approval of the Department; (e) a specimen copy of one of the Bonds; (f) the Nonarbitrage Certificate of the School District executed and delivered pursuant to the provisions of the Code and the regulations applicable thereto; (g) the General Certificate signed by officials of the School District; (h) a completed and executed Form 8038-G to be filed with the Internal Revenue Service; (i) the opinion of King, Spry, Herman, Freund & Faul, LLC, Bethlehem, Pennsylvania, Solicitor to the School District (the "Solicitor's Opinion"); (j) the Certificate of Stifel, Nicolaus & Company, Incorporated, Conshohocken, Pennsylvania, as representative of itself, Raymond James & Associates, Inc., Lancaster, Pennsylvania, and RBC Capital Markets LLC, Philadelphia, Pennsylvania, as purchasers of the Bonds, dated the date hereof; (k) the Certificate of FSL Public Finance, LLC, Scranton, Pennsylvania, as municipal advisor to the School District with regard to the Bonds, dated the date hereof; and (l) the other documents, certificates and opinions executed and delivered at or in connection with the closing held this day.

Based and in reliance upon our review of the foregoing, our attendance at the closing held this day and subject to the qualifications set forth herein, it is our opinion that, as of the date hereof, under existing law:

1. The School District is empowered under provisions of the Constitution and laws of the Commonwealth of Pennsylvania to issue the Bonds.
2. The Resolution was duly adopted by the Board of School Directors and continues to be in full force and effect as of the date hereof.
3. The Bonds have been duly authorized and executed and constitute valid and binding obligations of the School District, enforceable in accordance with their terms, except as the legality, validity, binding nature and enforceability thereof may be limited by (a) applicable bankruptcy, insolvency or other laws or

equitable principles now or hereafter affecting the enforcement of creditors' rights generally or (b) general principles of equity.

4. Interest on the Bonds is not includable in gross income for federal income tax purposes under Section 103(a) of the Code.
5. Under the laws of the Commonwealth of Pennsylvania, the Bonds and interest on the Bonds shall be free from taxation for State and local purposes within the Commonwealth of Pennsylvania, but this exemption shall not extend to gift, estate, succession or inheritance taxes or other taxes not levied directly on the Bonds or the interest thereon. Under the laws of the Commonwealth of Pennsylvania, profits, gains or income derived from the sale, exchange or other disposition of the Bonds are subject to State and local taxation within the Commonwealth of Pennsylvania.
6. Under the Code, interest on the Bonds do not constitute an item of tax preference under Section 57 of the Code and thus are not subject to alternative minimum tax on individuals and corporations for federal income tax purposes; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

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In connection with providing the foregoing opinions, we call to your attention to the following:

- A. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other documents, agreements, instruments, reports and certificates furnished to us at or in connection with the issuance of the Bonds (including, without limitation, certificates and agreements by the School District as to the expected use of proceeds of the Bonds, and as to its continuing compliance with Sections 148 and 141 of the Code to assure that the Bonds do not become "arbitrage bonds" or "private activity bonds") without undertaking to verify the same by independent investigation. We have also relied upon the accuracy of the representations and warranties and the performance of the covenants and agreements of the School District set forth in the Resolution and the various certificates and other agreements delivered at or in connection with the closing held this day.
- B. In providing the opinions set forth in paragraphs 2 and 3 above, we have relied, without independent investigation, on the Solicitor's Opinion.

- C. In providing the opinion set forth in paragraph 4, above, we have assumed continuing compliance by the School District with the requirements of the Code and applicable regulations thereunder which must be met subsequent to the issuance of the Bonds in order that the interest thereon be and remain excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.
- D. In providing the opinion set forth in paragraph 6, we have assumed continuing compliance by the School District with the requirements of the Code and applicable regulations thereunder which must be met subsequent to the issuance of the Bonds in order that the interest thereon not constitute an item of tax preference under Section 57 of the Code. Failure to comply with such requirements could cause the interest on the Bonds to constitute an item of tax preference under Section 57 of the Code retroactive to the date of issuance of the Bonds.
- E. Except as specifically set forth above, we express no opinion regarding other federal income tax consequences arising with respect to the Bonds, including, without limitation, the treatment for federal income tax purposes of gain or loss, if any, upon the sale, redemption, or other disposition of the Bonds prior to maturity of the Bonds subject to original issue discount and the effect, if any, of certain other provisions of the Code which could result in collateral federal income tax consequences to certain investors as a result of adjustments in the computation of tax liability dependent on tax-exempt interest.
- F. We have not been engaged to verify, nor have we independently verified, the accuracy, completeness or truthfulness of any statements, certifications, information or financial statements set forth in the Preliminary Official Statement, dated \_\_\_\_\_, 2025 (the “Preliminary Official Statement”), or the Official Statement, dated \_\_\_\_\_, 2025 (the “Official Statement”), or otherwise used in connection with the offer and sale of the Bonds or set forth in or delivered by the School District officials.
- G. We express no opinion with respect to whether the School District, in connection with the sale of the Bonds or the preparation of the Preliminary Official Statement or the Official Statement, has made any untrue statement of a material fact necessary in order to make any statements made therein not misleading.
- H. We have not verified, and express no opinion as to the accuracy of, any “CUSIP” identification number which may be printed on any Bond. We have also assumed the genuineness of the signatures appearing upon all the certificates, documents and instruments executed in connection with and delivered at closing.

# Stevens & Lee

\_\_\_\_\_, 2025  
Page 5

- I. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement as Bond Counsel has concluded with the issuance of the Bonds and we disclaim any obligation to update this letter.

STEVENS & LEE, P.C.

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**Appendix E**

**Proposed Form of Continuing Disclosure Certificate**

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§ \_\_\_\_\_  
AGGREGATE PRINCIPAL AMOUNT  
SCHOOL DISTRICT OF THE CITY OF SCRANTON  
LACKAWANNA COUNTY, PENNSYLVANIA  
GENERAL OBLIGATION BONDS  
SERIES OF 2025

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the School District of the City of Scranton, Lackawanna County, Pennsylvania (the "School District"), in connection with the issuance of \$ \_\_\_\_\_ aggregate principal amount General Obligation Bonds, Series of 2025 (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the School District adopted on February 3, 2025 (the "Resolution"). The School District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the School District for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with the Rule (hereinafter defined).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the School District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Bondholders" or "Holders" shall mean the registered owners of the Bonds and, if registered in the name of Cede & Co., through The Depository Trust Company, New York, New York ("DTC"), any Beneficial Owners (as such term is used by DTC to define holders other than nominees) of the Bonds, unless the Rule, or an authoritative interpretation thereof by the Securities and Exchange Commission (the "Commission") or its staff, does not require this Disclosure Certificate to be for the benefit of such Beneficial Owners.

"Commission" shall mean the Securities and Exchange Commission.

"Dissemination Agent" shall mean any person or entity designated from time to time in writing by the School District and which has filed with the School District a written acceptance of such designation and of the duties of the Dissemination Agent under this Disclosure Certificate.

"EMMA" shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule as further described in Section 13 hereof.

"Filing" shall mean, as applicable, any Annual Report or Listed Event filing or any other notice or report made public under this Disclosure Certificate made with each

NRMSIR or the MSRB and the SID, if any, together with a completed copy of a cover sheet in such form acceptable to each NRMSIR, the MSRB or SID, if applicable, describing the event by checking the box in said form when filing pursuant to the pertinent sections of this Disclosure Certificate.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto for purposes of the Rule. Currently, MSRB's address, phone number and fax number for purposes of the Rule are:

Municipal Securities Rulemaking Board  
1300 I Street NW, Suite 1000  
Washington, DC 20005  
Phone: 202-838-1500  
Fax: 202-898-1500

"NRMSIR" shall mean any Nationally Recognized Municipal Securities Information Repository recognized for purposes of the Rule and the MSRB, as reflected on the website of the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov). **As of the date of this Disclosure Certificate, the sole NRMSIR shall be the MSRB, through the operation of EMMA, as provided in Section 13 hereof.**

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each NRMSIR and the SID, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SID" shall mean any public or private state information depository or entity designated by the Commonwealth of Pennsylvania as a state information depository for the purpose of the Rule, if any. As of the date of this Disclosure Certificate, no SID has been designated.

### SECTION 3. Provision of Annual Reports.

(a) The School District shall not later than 275 days after the end of each fiscal year of the School District, commencing with the fiscal year ending December 31, 2025, provide directly or through the Dissemination Agent to each Repository an Annual Report

which is consistent with the requirements of Section 4 of this Disclosure Certificate. In connection therewith, not later than fifteen (15) Business Days prior to said date, the School District shall provide the Annual Report to the Dissemination Agent (if one has been designated by the School District under this Disclosure Certificate). The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the School District may be submitted separately from the remainder of the Annual Report when such audited financial statements are available. If the audited financial statements are not submitted as part of the Annual Filing to each Repository pursuant to this Section 3(a), the School District shall provide to each Repository such audited financial statements when they are available to the School District.

(b) If the School District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the School District shall send or cause the Dissemination Agent to send a notice to each NRMSIR and the SID in substantially the form attached as Exhibit A.

(c) The School District or the Dissemination Agent, if applicable, shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each NRMSIR and the SID, if any; and

(ii) if a Dissemination Agent has been designated hereunder, file a report with the School District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

(iii) The School District shall promptly file a notice of any change in its fiscal year and the new annual filing date with each NRMSIR and the SID.

(d) If the Dissemination Agent does not receive the Annual Report from the School District by the fifteenth Business Day specified in Section 3(a) above, the Dissemination Agent shall provide a written reminder notice to the School District with respect to the School District's obligations under Section 3(a) above no later than five (5) Business Days after such fifteenth Business Day.

SECTION 4. Content of Annual Reports. The School District's Annual Report shall contain or incorporate by reference the following:

- (i) the School District's annual audited financial statements, which shall be prepared in conformity with generally accepted accounting principles consistently applied as applicable to school districts of the Commonwealth of Pennsylvania;
- (ii) a summary of the budget for the School District for the new fiscal year (the "Summary of Budget"), when available;

(iii) certain annual operating data as follows (the “Annual Operating Data”):

- (a.) the assessed value and aggregate market value of all taxable real estate for the current fiscal year;
- (b.) the taxes and millage rates imposed for the current fiscal year;
- (c.) the real property tax collection results for the most recent fiscal year, including (1) the real estate tax levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year’s levy and as an aggregate dollar amount), (3) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year’s levy and as an aggregate dollar amount);
- (d.) a list of the ten (10) largest real estate taxpayers and, for each, the total assessed value of real estate for the current fiscal year;
- (e.) pupil enrollment figures, including enrollment at the end of the most recent fiscal year, current enrollment and projected enrollment for the beginning of the next fiscal year, including a breakdown between elementary and secondary enrollment (to the extent reasonably feasible); and
- (f.) the School District’s full-time employee figure under “Employment and Employee Relations” and financial information under “Pension Program” in APPENDIX A to the Official Statement relating to the Bonds, dated \_\_\_\_\_, 2025, to the extent not provided as part of the School District’s annual financial statements.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the School District or related public entities, which have been submitted to each of the Repositories or the Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The School District shall clearly identify each such other document so incorporated by reference. The School District reserves the right to modify from time-to-time specific types of information provided hereunder or the format of the presentation of such information, to the extent necessary or appropriate; provided, however, that any such modification will be done in a manner consistent with the Rule.

#### SECTION 5. Reporting of Significant Events.

(a) The occurrence of any of the following events with respect to a particular series of the Bonds, constitutes a “Listed Event” only with respect to such series of the

Bonds. This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

- (i) Principal and interest payment delinquencies;
- (ii) Nonpayment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of securities holders, if material;
- (viii) Bond calls, if material, and tender offers for the Bonds;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar events of the School District;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or paying agent or the change of name of a trustee or paying agent, if material;
- (xv) Incurrence of a Financial Obligation of the School District, if material, or agreement to covenants, events of default, remedies, priority rights, or

other similar terms of a Financial Obligation of the School District, any of which affect security holders, if material;

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the School District, any of which reflect financial difficulties; and

(xvii) Failure to provide annual financial information as required.

(b) Whenever the School District obtains knowledge of the occurrence of a Listed Event, the School District shall as soon as possible (with respect to those Listed Events where a determination of materiality by the School District is applicable) determine if such event would constitute material information for Holders of Bonds under applicable federal securities laws.

(c) If (i) a Determination of materiality by the School District is not relevant to the obligation to give notice of a Listed Event or (ii) the School District determines (with respect to those Listed Events where a determination of materiality by the School District is applicable) that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the School District shall promptly file in a timely manner, not in excess of ten (10) business days after the occurrence of the Listed Event, or cause the Dissemination Agent to so file (if a Dissemination Agent has been designated hereunder) a notice of such occurrence with each NRMSIR and the SID, if any, with a copy to the Paying Agent.

(d) For purposes of the Listed Events in Section 5(a)(xii), the School District and the Dissemination Agent acknowledge the following interpretive note which the Commission has set forth in the Rule: *“Note: for the purposes of the event identified in subparagraph (b)(5)(i)(C)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person;”*

SECTION 6. Termination of Reporting Obligation. The School District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

In the event that any person or entity subsequent to the execution hereof becomes an "obligated person," as such term is defined in the Rule, with respect to the Bonds, the School District covenants to use its best effort to cause such obligated person to enter into a written

undertaking to comply with the provisions of the Rule or to cause this Disclosure Certificate to be amended and to cause such obligated person to join in the execution of such amendment.

SECTION 7. Dissemination Agent. The School District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The School District shall cause the Dissemination Agent appointed hereunder and any successors to execute and deliver an acknowledgment of acceptance of the designation and duties of Dissemination Agent under this Disclosure Statement.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the School District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, as well as any change in circumstances.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the School District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the School District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the School District shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the School District to comply with any provision of this Disclosure Certificate, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Bonds or the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the School District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent, if other than the School District. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the School District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the School District

under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Undertaking with Respect to Certain Procedures and Policies. The School District agrees to begin the process of establishing internal policies and procedures for the purpose of continuing disclosure compliance. Without intending to preclude the adoption of other necessary or useful policies and procedures, a single School District official will be designated with ultimate responsibility for continuing disclosure compliance and will oversee the process of informing and training appropriate deputies and other School District employees with respect to the School District's continuing disclosure undertakings.

SECTION 13. EMMA. Filings shall be made to the continuing disclosure service portal provided through EMMA as provided at <http://www.emma.msrb.org>, or any similar system that is acceptable to the Commission.

SECTION 14. Alternative Filing. Notwithstanding the other provisions of this Disclosure Certificate, any filing under this Disclosure Certificate, and any additional supplements hereto, may be made with such depositories and using such electronic filing systems as may be approved by the United States Securities and Exchange Commission (in lieu of the procedures currently in this Disclosure Certificate).

*[The remainder of this page intentionally left blank.]*



SECTION 15. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the School District, the Paying Agent, the Dissemination Agent (if any), the Participating Underwriter, and the Holders from time to time of the Bonds and shall create no rights in any other person or entity.

SCHOOL DISTRICT OF THE CITY OF  
SCRANTON  
Lackawanna County, Pennsylvania

By: \_\_\_\_\_  
President

Attest: \_\_\_\_\_  
Secretary

Date: \_\_\_\_\_, 2025

EXHIBIT A<sup>1</sup>

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: School District of the City of Scranton  
Lackawanna County, Pennsylvania

Name of Bond Issue: School District of the City of Scranton, Lackawanna County,  
Pennsylvania, \$ \_\_\_\_\_ aggregate principal amount General  
Obligation Bonds, Series of 2025 (the "Bonds")

Date of Issuance: \_\_\_\_\_, 2025

NOTICE IS HEREBY GIVEN that the School District of the City of Scranton, Lackawanna County, Pennsylvania (the "School District"), has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated \_\_\_\_\_, 2025, executed by the School District. The School District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

SCHOOL DISTRICT OF THE CITY OF  
SCRANTON, LACKAWANNA COUNTY,  
PENNSYLVANIA, [OR DISSEMINATION  
AGENT ON BEHALF OF SCHOOL DISTRICT  
OF THE CITY OF SCRANTON, LACKAWANNA  
COUNTY, PENNSYLVANIA]

cc: Paying Agent

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<sup>1</sup> The substantive content of this notice shall be provided in any applicable notice filing. Appropriate modifications may be made to accommodate the electronic submission format requirements of the EMMA system or other successor electronic filing system.