



THE SCHOOL DISTRICT OF THE CITY OF SCRANTON
Scranton, Pennsylvania
Lackawanna County
Financial Statements
December 31, 2023
With Independent Auditors' Reports



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

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, 2023, 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 as of December 31, 2023, 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 Auditors' 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, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the School District of the City of Scranton adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

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; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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.

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 as listed in the table of contents 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 schedule of expenditures of federal awards 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 schedule of expenditures of federal awards is the responsibility of management and was 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the budgetary comparison schedules – General Fund but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

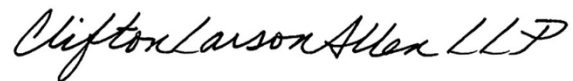
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

The School District of Scranton's 2022 financial statements were audited by BBD, LLP, who joined WithumSmith+Brown, PC on April 1, 2024 and later joined CliftonLarsonAllen, LLP on July 1, 2025, who expressed an unmodified opinion on those audited financial statements dated April 9, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2025, 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
August 26, 2025

The School District of the City of Scranton

Management's Discussion and Analysis - Unaudited

December 31, 2023

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, 2023. 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 9,300 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 2023 fiscal year of \$248,086,824. During the 2023 fiscal year, the District had an increase in total net position of \$40,839,044. The net position of governmental activities increased by \$39,137,326 and the net position of business-type activities increased by \$1,701,718.
- The General Fund reported an increase in fund balance of \$2,884,737, bringing the cumulative balance to \$21,234,791 at the conclusion of the 2023 fiscal year.
- At December 31, 2023, the General Fund fund balance is \$21,234,791, of which \$2,500,000 is committed for capital improvements and \$18,734,791 is considered unassigned and represents 8.86% of the \$211,570,490 2024 General Fund expenditure budget.
- Total General Fund revenues and other financing sources were \$3,355,126 or 1.55% more than budgeted amounts and total General Fund expenditures and other financing uses were \$470,389 or 0.22% more than budgeted amounts resulting in a net positive variance of \$2,884,737.

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.

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 School District of the City of Scranton Management's Discussion and Analysis - Unaudited December 31, 2023

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 18 and 19 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.

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 School District of the City of Scranton Management's Discussion and Analysis - Unaudited December 31, 2023

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 20 through 23 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 24 through 26 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 27 and 28 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 29 through 57 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 58 through 63 of this report.

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 2023 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$248,086,824. The following table presents condensed information for the Statement of Net Position (Deficit) of the District at December 31, 2023 and 2022.

**The School District of the City of Scranton
Management's Discussion and Analysis - Unaudited
December 31, 2023**

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Assets						
Current assets	\$ 102,898,775	\$ 84,179,668	\$ 11,908,156	\$ 9,676,883	\$ 114,806,931	\$ 93,856,551
Capital assets	128,068,977	97,914,682	432,435	345,935	128,501,412	98,260,617
Total assets	230,967,752	182,094,350	12,340,591	10,022,818	243,308,343	192,117,168
Deferred outflows of resources	35,787,321	38,604,631	-	-	35,787,321	38,604,631
Liabilities						
Current liabilities	31,043,122	29,884,505	1,154,008	537,953	32,197,130	30,422,458
Noncurrent liabilities	475,917,250	465,271,199	-	-	475,917,250	465,271,199
Total liabilities	506,960,372	495,155,704	1,154,008	537,953	508,114,380	495,693,657
Deferred inflows of resources	19,068,108	23,954,010	-	-	19,068,108	23,954,010
Net position (deficit)						
Net investment in capital assets	(57,832,024)	(72,812,284)	432,435	345,935	(57,399,589)	(72,466,349)
Restricted	6,737,044	323,161	-	-	6,737,044	323,161
Unrestricted (deficit)	(208,178,427)	(225,921,610)	10,754,148	9,138,930	(197,424,279)	(216,782,680)
Total net position (deficit)	\$ (259,273,407)	\$ (298,410,733)	\$ 11,186,583	\$ 9,484,865	\$ (248,086,824)	\$ (288,925,868)

The District's total assets as of December 31, 2023 were \$243,308,343 of which \$82,095,736 or 33.74% consisted of cash and \$128,501,412 or 52.81% consisted of the District's investment in capital assets. The District's total liabilities as of December 31, 2023 were \$508,114,380 of which \$222,514,669 or 43.79% consisted of general obligation debt used to acquire and construct capital assets and \$203,347,243 or 40.02% consisted of the actuarially determined PSERS net pension liability.

The District had a deficit in unrestricted net position of \$197,424,279 at December 31, 2023. The District's unrestricted net position increased by \$19,358,401 during 2023 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 \$343,012 as of December 31, 2023. All of the District's restricted net position related to amounts restricted for capital and 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, 2023, the District's net investment in capital assets increased by \$15,066,760 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated and capital assets were acquired with other sources other than long-term debt.

**The School District of the City of Scranton
Management's Discussion and Analysis - Unaudited
December 31, 2023**

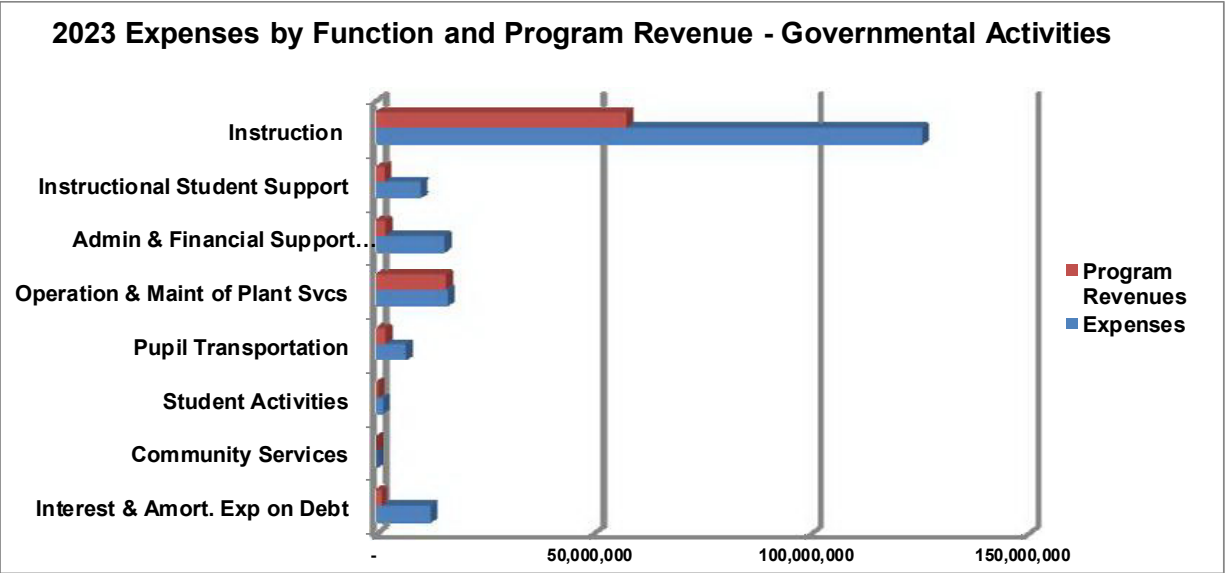
The following table presents condensed information for the Statement of Activities of the District for 2023 and 2022:

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	\$ 184,273	\$ 121,810	\$ 172,352	\$ 210,717	\$ 356,625	\$ 332,527
Operating grants and contributions	65,626,715	58,177,552	7,796,739	7,915,585	73,423,454	66,093,137
Capital grants and contributions	14,054,438	7,467,776	-	-	14,054,438	7,467,776
General revenues						
Property taxes levied for general purposes	54,137,799	47,974,130	-	-	54,137,799	47,974,130
Earned income taxes levied for general purposes	14,087,393	13,251,326	-	-	14,087,393	13,251,326
Other taxes levied for general purposes	6,950,732	8,797,577	-	-	6,950,732	8,797,577
Grants and entitlements not restricted to specific programs	68,547,243	58,359,521	-	-	68,547,243	58,359,521
Investment earnings	2,902,063	650,808	117,346	35,043	3,019,409	685,851
Other	-	254,014	-	-	-	254,014
Total revenues	<u>226,490,656</u>	<u>195,054,514</u>	<u>8,086,437</u>	<u>8,161,345</u>	<u>234,577,093</u>	<u>203,215,859</u>
Expenses						
Instruction	125,350,324	113,332,496	-	-	125,350,324	113,332,496
Instructional student support services	9,993,075	8,849,689	-	-	9,993,075	8,849,689
Administrative and financial support services	15,457,233	13,315,988	-	-	15,457,233	13,315,988
Operation and maintenance of plant services	16,245,031	18,179,258	-	-	16,245,031	18,179,258
Pupil transportation	6,552,973	5,605,869	-	-	6,552,973	5,605,869
Student activities	1,382,717	1,166,094	-	-	1,382,717	1,166,094
Community services	110,521	154,829	-	-	110,521	154,829
Interest and amortization expense related to noncurrent liabilities	12,261,456	7,234,611	-	-	12,261,456	7,234,611
Food service	-	-	6,367,347	5,768,410	6,367,347	5,768,410
Memorial stadium	-	-	17,372	5,050	17,372	5,050
Total expenses	<u>187,353,330</u>	<u>167,838,834</u>	<u>6,384,719</u>	<u>5,773,460</u>	<u>193,738,049</u>	<u>173,612,294</u>
Change in net position before transfers	39,137,326	27,215,680	1,701,718	2,387,885	40,839,044	29,603,565
Transfers	-	500,000	-	(500,000)	-	-
Change in net position (deficit)	<u>\$ 39,137,326</u>	<u>\$ 27,715,680</u>	<u>\$ 1,701,718</u>	<u>\$ 1,887,885</u>	<u>\$ 40,839,044</u>	<u>\$ 29,603,565</u>

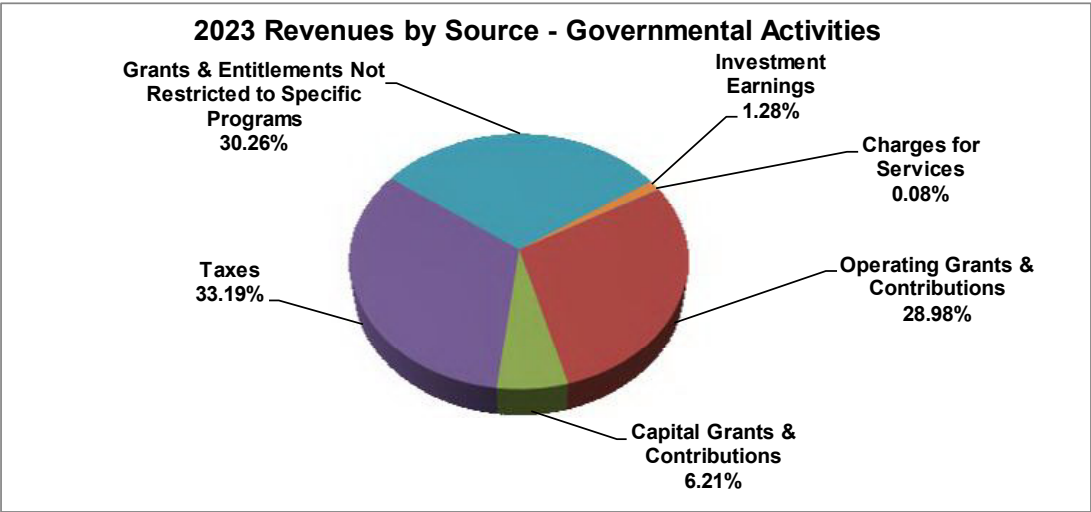
Overall, the District's financial position continues to improve but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have the potential to offset these gains. Management of the District continues to aggressively implement cost efficiencies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

The 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.

**The School District of the City of Scranton
Management’s Discussion and Analysis - Unaudited
December 31, 2023**



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.



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, 2023, the District's governmental funds reported a combined fund balance of \$55,351,133 which is an increase of \$12,891,749 from the prior year. The following table summarizes the District's total governmental fund balances as of December 31, 2023 and 2022 and the total 2023 change in governmental fund balances.

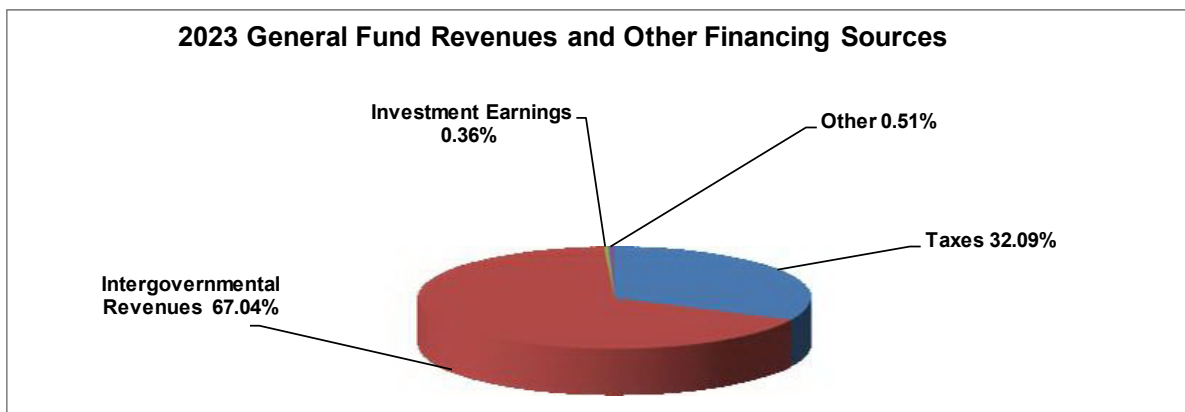
**The School District of the City of Scranton
Management's Discussion and Analysis - Unaudited
December 31, 2023**

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>
General fund	\$ 21,234,791	\$ 18,350,054	\$ 2,884,737
Capital projects fund	33,773,330	23,786,169	9,987,161
Debt service fund	<u>343,012</u>	<u>323,161</u>	<u>19,851</u>
	<u>\$ 55,351,133</u>	<u>\$ 42,459,384</u>	<u>\$ 12,891,749</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2023 fiscal year, the General Fund fund balance was \$21,234,791 representing an increase of \$2,884,737 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 2023 fiscal year.

The District's reliance upon state and federal subsidies and grants is demonstrated by the graph below that indicates 67.04% of General Fund revenues are derived from intergovernmental revenues.



General Fund Revenues and Other Financing Sources

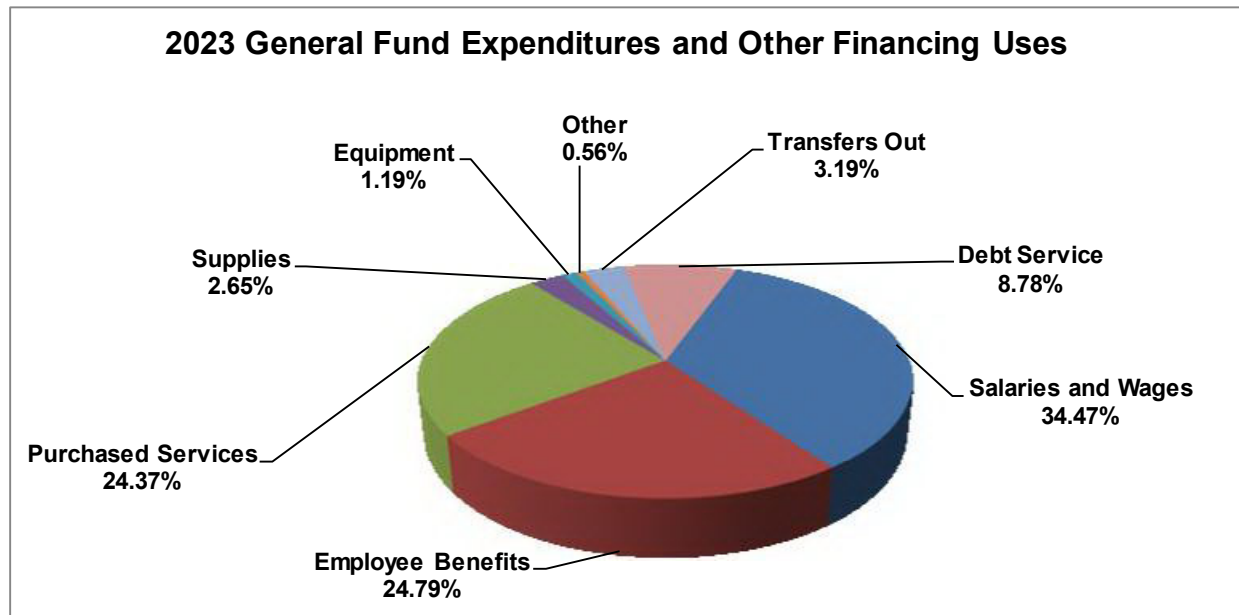
	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes revenues	\$ 70,538,245	\$ 71,229,985	\$ (691,740)	-0.97%
Intergovernmental revenues	147,399,620	122,633,321	24,766,299	20.20%
Investment earnings	800,598	152,428	648,170	425.23%
Other	<u>1,123,377</u>	<u>1,493,866</u>	<u>(370,489)</u>	<u>-24.80%</u>
	<u>\$ 219,861,840</u>	<u>\$ 195,509,600</u>	<u>\$ 24,352,240</u>	<u>12.46%</u>

Net tax revenues decreased by \$691,740 or 0.97% primarily due to a \$2,008,083 decrease in delinquent business privilege mercantile taxes and implementation of a payroll preparation tax. In 2023 the District converted from the levy of a business privilege mercantile tax to a new payroll preparation tax. Previously the business privilege tax was an employer tax based on gross receipts where the payroll tax is an employer tax based on gross payroll. With the conversion and changes in tax collection schedule the District received only 3 quarters of the current year payroll preparation tax in calendar year 2023. This shortfall was partially offset by an increase to the Ready to Learn Block Grant supplement provided by the state. The decrease due to the conversion of the business privilege mercantile tax to the payroll preparation tax was partially offset by an increase in collections of \$836,067 for earned income, \$278,697 delinquent real estate, \$166,033 in realty transfer tax. The District also maintained the prior year real estate millage rate and experienced a minor increase in collections of \$34,800.

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Intergovernmental revenues increased by \$24,766,299 or 20.20% primarily due to an increase in the state appropriation for the basic and special education subsidies including the level up 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. Additionally, the state granted a \$1,800,000 increase to the Ready to Learn Block grant to help offset the revenue loss from the conversion from business privilege mercantile tax to a payroll preparation tax as described above.

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>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 74,813,809	\$ 76,545,834	\$ (1,732,025)	-2.26%
Employee benefits	53,779,446	51,133,283	2,646,163	5.18%
Purchased services	52,866,863	40,709,634	12,157,229	29.86%
Supplies	5,742,340	4,858,177	884,163	18.20%
Equipment	2,578,728	1,417,399	1,161,329	81.93%
Other	1,223,412	1,238,793	(15,381)	-1.24%
Debt service	19,042,505	17,733,129	1,309,376	7.38%
Transfers out	6,930,000	474,099	6,455,901	1361.72%
	<u>\$ 216,977,103</u>	<u>\$ 194,110,348</u>	<u>\$ 22,866,755</u>	<u>11.78%</u>

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Salaries and wages decreased by \$1,732,025 or 2.26% in 2023 compared to 2022. The primary cause of the decrease was a reduction of retroactive step payment of \$1,323,629. In 2023, the last installment of four was made for negotiated retroactive step salary increase paid to the Scranton Federation of Teachers and Paraprofessionals. Additionally, effective September 1st, 2023 for the Scranton Federation of Teachers 2023-2024 contract year, all bargaining unit members bi-weekly payroll were adjusted to be 1/27th vs 1/26th of the annual salary due to contractual language related to a "payroll creep" year. This estimated impact was a reduction in salaries of \$717,732 in 2023. Additionally, there were 13 retirements and 30 resignations from the prior year. These reductions in salaries were offset by negotiated salary increases for the District's bargaining units and administrative associations, including the Scranton Federation of Teachers, SEIU 32BJ Maintenance and Clerical and Administrative Act 93 Association.

Employee benefit expenditures increased by \$2,646,163 or 5.18% due primarily to increases in health insurance costs.

Purchased services increased by \$12,157,229 or 29.86% in 2023 compared to 2022 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 2023 compared to 2022 were the result of the District operating in a remote learning environment due to COVID-19 during 2022. 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 increased by \$884,163 or 18.20% in 2023 compared to 2022 primarily due to increased costs related to District utilizing ESSER funding to purchase academic improvement and technology related supplies to address learning loss as a result of COVID-19 in 2021.

Equipment increased by \$1,161,329 or 81.93% in 2023 compared to 2022 primarily due to the District purchasing approximately 3,000 Chromebooks and devices that were originally purchased 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. Also, the District replaced classroom active panels at an estimated cost of \$273,629. Additionally, the District utilized approximately \$250,000 PCCD grant to upgrade exterior door cameras and access points.

Debt service expenditures increased by \$1,309,376 or 7.38% in 2023 as compared to 2022 mainly attributed to the increase in principal and interest related to the Series of 2023 General Obligation Bonds necessary for capital improvements.

The District appropriated \$6,300,000 from the General Fund to be transferred to the Capital Projects Fund in 2023.

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 2023, the fund balance in the Capital Projects Fund increased by \$9,987,161 primarily due to the issuance of the Series of 2023 general obligation bonds and transfers from the General Fund in an amount in excess of repairs and improvements made to District buildings as a result of District's capital improvement plan. The fund balance of \$33,773,330 as of December 31, 2023 is restricted for future capital expenditures.

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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 2023, the Debt Service Fund balance increased by \$19,851. As of December 31, 2023, the fund balance in the Debt Service Fund was \$343,012 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 \$3,355,126 or 1.55% more than budgeted amounts and total General Fund expenditures and other financing uses were \$470,389 or 0.22% more than budgeted amounts resulting in a net positive variance of \$2,884,737. Major budgetary highlights for 2023 were as follows:

- Total local source revenues were \$3,414,897 more than budgeted amount primarily due to a positive variance on business privilege and mercantile taxes and earned income taxes. The District experienced a greater increase than anticipated at the time of budget development.
- Total expenditures related to salary and benefits were less than budget by \$2,611,784, which is attributable primarily to expenditures related to other instructional programs, including summer and after school programs, being \$2,998,423 less than budget. Employee benefit costs were more than budget by \$840,864 due to increase in cost of healthcare related expenditures that were \$3,921,544 over budget. The increase was partially offset by lower costs versus budget related to employer payroll taxes and the employer share of retirement in the amount of \$2,437,761 primarily due to lower than anticipated salary costs.

BUSINESS-TYPE ACTIVITIES

As of December 31, 2023, the business-type activities had a net position of \$11,186,583. The net position of the Food Service Fund was \$10,979,367 and the net position of the Memorial Stadium Fund was \$207,216. During 2023, the net position of the business-type activities increased by \$1,701,718. The net position of the Food Service Fund increased by \$1,665,409 and the net position of the Memorial Stadium Fund increased by \$36,309.

CAPITAL ASSETS

The District's investment in capital asset for its governmental and business-type activities as of December 31, 2023 amounted to \$128,501,412 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 \$30,240,795 or 30.78%. The increase was the result of current year capital additions in excess of depreciation expense.

Current year capital additions were \$36,967,992, depreciation expense was \$6,498,312 and the net book value of disposed of capital assets was \$228,885.

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

• Neil Armstrong Elementary School renovations – construction in progress	\$3,333,819
• District Wide HVAC/ATC – construction in progress	\$4,456,290
• West Scranton Intermediate School renovations and roof project – construction in progress	\$3,511,093
• West Scranton Intermediate School renovations – construction in progress	\$9,729,192
• Robert Morris Elementary School renovations - construction in progress	\$5,425,590

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$222,514,669 consisting of \$186,595,000 in bonds payable, \$31,730,000 in notes payable, \$64,642 in bond discounts, and \$4,254,311 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 \$13,901,534 or 6.66% 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 \$410,515,669 which exceeds the District's outstanding general obligation debt as of December 31, 2023.

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 \$203,347,243 as of December 31, 2023. The District's net pension liability increased by \$2,660,572 or 1.33% 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 \$20,651,162 as of December 31, 2023. The District's OPEB liability decreased by \$4,439,645 or 17.69% during the fiscal year.

Other noncurrent liabilities of the District's liabilities for software based information technology agreements, lease agreements, compensated absences, retirement incentives and a collateralized borrowing repayable from pledged delinquent real estate tax revenues, which totaled \$29,404,176 as of December 31, 2023. These liabilities increased by \$778,082 or 2.72% during the fiscal year.

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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 15, 2019. Additionally, on January 10, 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 budget of \$211,570,490 for 2024 and \$225,671,321 for 2025 both of which included a real estate tax millage rate of 147.8486 with no increases from 2023 millage rate.
- 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 2024 budget did not require the levy of a tax increase to the Act 1 Index of 6.20%.
- The 2023-2024 Commonwealth of Pennsylvania budget included a 21.80% increase of \$12,496,911 for basic education funding and a 7.66% increase of \$650,902 for special education funding above the 2022-2023 levels. The 2024-2025 Commonwealth of Pennsylvania budget included a 5.87% increase of \$4,101,226 for basic education funding and a 11.63% increase of \$1,064,722 for special education funding above the 2023-2024 levels. Additionally, the 2024-2025 Commonwealth of Pennsylvania budget include a 117.66% increase or \$9,220,847 for ready to learn block grant funding. The increase, as recommended by the Basic Education Funding Commission consisted of \$8,427,092 in adequacy supplement and \$793,755 in tax equity supplement. The 2024 District budget included approximately 56.83% of total revenue provided by the Commonwealth of Pennsylvania, while local sources of revenue, primarily property taxes provide approximately 35.66% 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 (6.20% for the Scranton School District for 2024), 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.

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- ◆ 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 2024-2025 is 33.90% and the rate for 2025-2026 has been certified at 34.00%.
- 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, 2017 through August 31, 2023. Additionally, the District and the SFT have agreed to a successor agreement with a term of September 1, 2023 through August 31, 2028.
- 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, 2021 through December 31, 2023. This agreement was mutually extended until December 31, 2025 and was mutually extended until December 31, 2028.
- Non-represented employees are covered by compensation plan for all Act 93 employees. The compensation plan agreement has a term of January 1, 2018 through December 31, 2022. Additionally, a successor agreement was approved with a term of January 1, 2023 through December 31, 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. In an effort, to reenroll students who left the district for outside cyber schools the districts self-operated cyber program that had an enrollment of 1,145 students at the end of the 2022-2023 school year.

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 Assistant to the Superintendent for Finances and Operations, 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, 2023 With Summarized Comparative Totals for 2022

	Governmental Activities	Business-type Activities	Totals	
			2023	2022
Assets with Deferred Outflows of Resources				
Current assets				
Cash	\$ 73,056,483	\$ 9,039,253	\$ 82,095,736	\$ 64,539,125
Taxes receivable	18,337,826	-	18,337,826	12,095,236
Due from other governments	12,400,789	1,246,779	13,647,568	16,701,636
Other receivables	583,831	53,867	637,698	451,996
Internal balances	(1,480,154)	1,480,154	-	-
Inventories	-	88,103	88,103	68,558
Total current assets	<u>102,898,775</u>	<u>11,908,156</u>	<u>114,806,931</u>	<u>93,856,551</u>
Noncurrent assets				
Capital assets, net	<u>128,068,977</u>	<u>432,435</u>	<u>128,501,412</u>	<u>98,260,617</u>
Total assets	<u>230,967,752</u>	<u>12,340,591</u>	<u>243,308,343</u>	<u>192,117,168</u>
Deferred outflows of resources				
Accumulated decrease in fair value of hedging derivative	-	-	-	2,254,492
Deferred charges on proportionate share of pension - PSERS	31,299,554	-	31,299,554	31,003,148
Deferred charges OPEB - single employer	2,824,191	-	2,824,191	3,376,299
Deferred charges on proportionate share of OPEB - PSERS	<u>1,663,576</u>	<u>-</u>	<u>1,663,576</u>	<u>1,970,692</u>
Total deferred outflows of resources	<u>35,787,321</u>	<u>-</u>	<u>35,787,321</u>	<u>38,604,631</u>
Liabilities, Deferred Inflows of Resources and Net Position (Deficit)				
Current liabilities				
Accounts payable	10,547,966	1,119,762	11,667,728	9,227,786
Accrued salaries, payroll withholdings and benefits	8,940,891	-	8,940,891	8,772,367
Unearned revenue	9,840,512	34,246	9,874,758	10,689,608
Other liabilities	902,201	-	902,201	902,201
Accrued interest payable	<u>811,552</u>	<u>-</u>	<u>811,552</u>	<u>830,496</u>
Total current liabilities	<u>31,043,122</u>	<u>1,154,008</u>	<u>32,197,130</u>	<u>30,422,458</u>
Noncurrent liabilities				
Due within one year	16,860,846	-	16,860,846	15,662,656
Due in more than one year	<u>459,056,404</u>	<u>-</u>	<u>459,056,404</u>	<u>449,608,543</u>
Total noncurrent liabilities	<u>475,917,250</u>	<u>-</u>	<u>475,917,250</u>	<u>465,271,199</u>
Total liabilities	<u>506,960,372</u>	<u>1,154,008</u>	<u>508,114,380</u>	<u>495,693,657</u>
Deferred inflows of resources				
Deferred changes on proportionate share of pension - PSERS	7,055,000	-	7,055,000	14,639,000
Deferred charges OPEB - single employer	9,536,108	-	9,536,108	6,114,010
Deferred changes on proportionate share of OPEB - PSERS	<u>2,477,000</u>	<u>-</u>	<u>2,477,000</u>	<u>3,201,000</u>
Total deferred inflows of resources	<u>19,068,108</u>	<u>-</u>	<u>19,068,108</u>	<u>23,954,010</u>
Net position (deficit)				
Net investment in capital assets	(57,832,024)	432,435	(57,399,589)	(72,466,349)
Restricted	6,737,044	-	6,737,044	323,161
Unrestricted (deficit)	<u>(208,178,427)</u>	<u>10,754,148</u>	<u>(197,424,279)</u>	<u>(216,782,680)</u>
Total net position (deficit)	<u>\$ (259,273,407)</u>	<u>\$ 11,186,583</u>	<u>\$ (248,086,824)</u>	<u>\$ (288,925,868)</u>

See accompanying Notes to Financial Statements.

The School District of the City of Scranton
Statement of Activities
Year Ended December 31, 2023 With Summarized Comparative Totals for 2022

	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	
							2023	2022
Governmental activities								
Instruction	\$ 125,350,324	\$ 48,836	\$ 57,270,619	\$ -	\$ (68,030,869)	\$ -	\$ (68,030,869)	\$ (61,693,388)
Instructional student support	9,993,075	-	1,759,014	-	(8,234,061)	-	(8,234,061)	(6,927,466)
Administrative and financial support services	15,457,233	-	1,873,366	-	(13,583,867)	-	(13,583,867)	(11,550,937)
Operation and maintenance of plant services	16,245,031	80,890	1,632,736	14,054,438	(476,967)	-	(476,967)	(9,131,640)
Pupil transportation	6,552,973	-	1,861,201	-	(4,691,772)	-	(4,691,772)	(5,592,769)
Student activities	1,382,717	54,547	183,154	-	(1,145,016)	-	(1,145,016)	(951,571)
Community services	110,521	-	21,946	-	(88,575)	-	(88,575)	(114,520)
Interest and amortization expense related to noncurrent liabilities	12,261,456	-	1,024,679	-	(11,236,777)	-	(11,236,777)	(6,109,405)
Total governmental activities	<u>187,353,330</u>	<u>184,273</u>	<u>65,626,715</u>	<u>14,054,438</u>	<u>(107,487,904)</u>	<u>-</u>	<u>(107,487,904)</u>	<u>(102,071,696)</u>
Business-type activities								
Food service	6,367,347	172,352	7,746,239	-	-	1,551,244	1,551,244	2,307,892
Memorial stadium	17,372	-	50,500	-	-	33,128	33,128	44,950
Total business-type activities	<u>6,384,719</u>	<u>172,352</u>	<u>7,796,739</u>	<u>-</u>	<u>-</u>	<u>1,584,372</u>	<u>1,584,372</u>	<u>2,352,842</u>
Total primary government	<u>\$ 193,738,049</u>	<u>\$ 356,625</u>	<u>\$ 73,423,454</u>	<u>\$ 14,054,438</u>	<u>(107,487,904)</u>	<u>1,584,372</u>	<u>(105,903,532)</u>	<u>(99,718,854)</u>
General revenues								
Property taxes levied for general purposes					54,137,799	-	54,137,799	47,974,130
Earned income taxes levied for general purposes					14,087,393	-	14,087,393	13,251,326
Other taxes levied for general purposes					6,950,732	-	6,950,732	8,797,577
Grants and entitlements not restricted to specific programs					68,547,243	-	68,547,243	58,359,521
Investment earnings					2,902,063	117,346	3,019,409	685,851
Other					-	-	-	254,014
Total general revenues					<u>146,625,230</u>	<u>117,346</u>	<u>146,742,576</u>	<u>129,322,419</u>
Change in net position (deficit)					39,137,326	1,701,718	40,839,044	29,603,565
Net position (deficit)								
Beginning of year					<u>(298,410,733)</u>	<u>9,484,865</u>	<u>(288,925,868)</u>	<u>(318,529,433)</u>
End of year					<u>\$ (259,273,407)</u>	<u>\$ 11,186,583</u>	<u>\$ (248,086,824)</u>	<u>\$ (288,925,868)</u>

See accompanying Notes to Financial Statements.

The School District of the City of Scranton
Balance Sheet – Governmental Funds
December 31, 2023 With Summarized Comparative Totals for 2022

	Major Funds			Totals	
	General Fund	Capital Projects Fund	Debt Service Fund	2023	2022
Assets					
Cash	\$ 40,300,899	\$ 31,807,000	\$ 343,012	\$ 72,450,911	\$ 54,854,509
Taxes receivable	18,337,826	-	-	18,337,826	12,095,236
Due from other funds	73,000	6,847,689	-	6,920,689	2,792,714
Due from other governments	12,400,789	-	-	12,400,789	15,550,310
Other receivables	583,831	-	-	583,831	394,696
Total assets	<u>\$ 71,696,345</u>	<u>\$ 38,654,689</u>	<u>\$ 343,012</u>	<u>\$ 110,694,046</u>	<u>\$ 85,687,465</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 5,666,607	\$ 4,881,359	\$ -	\$ 10,547,966	\$ 8,715,673
Accrued salaries, payroll withholdings and benefits	8,918,476	-	-	8,918,476	8,758,564
Other liabilities	902,201	-	-	902,201	902,201
Unearned revenue	9,840,512	-	-	9,840,512	10,663,768
Due to other funds	8,400,843	-	-	8,400,843	2,092,639
Total liabilities	<u>33,728,639</u>	<u>4,881,359</u>	<u>-</u>	<u>38,609,998</u>	<u>31,132,845</u>
Deferred inflows of resources					
Unavailable revenues - property taxes	<u>16,732,915</u>	<u>-</u>	<u>-</u>	<u>16,732,915</u>	<u>12,095,236</u>
Fund balances					
Restricted for					
Capital projects	-	33,773,330	-	33,773,330	23,786,169
Debt service	-	-	343,012	343,012	323,161
Committed to					
Capital improvements	2,500,000	-	-	2,500,000	2,500,000
Unassigned	18,734,791	-	-	18,734,791	15,850,054
Total fund balances	<u>21,234,791</u>	<u>33,773,330</u>	<u>343,012</u>	<u>55,351,133</u>	<u>42,459,384</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 71,696,345</u>	<u>\$ 38,654,689</u>	<u>\$ 343,012</u>	<u>\$ 110,694,046</u>	<u>\$ 85,687,465</u>

See accompanying Notes to Financial Statements.

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, 2023

TOTAL GOVERNMENTAL FUND BALANCES \$ 55,351,133

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. 128,068,977

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. 16,732,915

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. 16,719,213

Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet. (475,917,250)

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). 583,157

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. (811,552)

NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES **\$ (259,273,407)**

The School District of the City of Scranton
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds
Year Ended December 31, 2023 With Summarized Comparative Totals for 2022

	Major Funds			Totals	
	General	Capital	Debt		
	Fund	Projects	Service	2023	2022
		Fund	Fund		
Revenues					
Local sources	\$ 72,351,892	\$ 2,056,190	\$ 22,151	\$ 74,430,233	\$ 73,366,981
State sources	114,786,309	-	-	114,786,309	100,412,612
Federal sources	32,613,310	-	-	32,613,310	22,220,709
Total revenues	<u>219,751,511</u>	<u>2,056,190</u>	<u>22,151</u>	<u>221,829,852</u>	<u>196,000,302</u>
Expenditures					
Current					
Instruction	124,914,553	621,620	-	125,536,173	120,824,779
Support services	49,573,737	511,982	250,000	50,335,719	46,904,316
Operation of noninstructional services	1,503,347	-	-	1,503,347	1,419,652
Facilities acquisition, construction and improvement services	14,054,438	18,631,594	-	32,686,032	23,446,497
Debt service	19,046,255	3,187,881	4,600,104	26,834,240	22,052,933
Total expenditures	<u>209,092,330</u>	<u>22,953,077</u>	<u>4,850,104</u>	<u>236,895,511</u>	<u>214,648,177</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,659,181</u>	<u>(20,896,887)</u>	<u>(4,827,953)</u>	<u>(15,065,659)</u>	<u>(18,647,875)</u>
Other financing sources (uses)					
Refund of prior year receipts	(954,773)	-	-	(954,773)	(980,000)
Refund of prior year expenditures	-	-	-	-	253,485
Issuance of debt	-	20,263,615	-	20,263,615	10,000,000
Issuance of debt - refunding	-	26,286,385	-	26,286,385	-
Payment of debt - refunding	-	(24,655,000)	-	(24,655,000)	-
Proceeds from collateralized borrowing	-	-	4,847,804	4,847,804	4,554,529
Proceeds from leases and other right to use arrangements	110,329	621,620	-	731,949	-
Bond premiums	-	2,067,428	-	2,067,428	-
Bond discounts	-	-	-	-	(71,824)
Transfers in	-	6,300,000	-	6,300,000	500,000
Transfers out	(6,930,000)	-	-	(6,930,000)	(474,099)
Total other financing sources (uses)	<u>(7,774,444)</u>	<u>30,884,048</u>	<u>4,847,804</u>	<u>27,957,408</u>	<u>13,782,091</u>
Net change in fund balances	2,884,737	9,987,161	19,851	12,891,749	(4,865,784)
Fund balances					
Beginning of year	<u>18,350,054</u>	<u>23,786,169</u>	<u>323,161</u>	<u>42,459,384</u>	<u>47,325,168</u>
End of year	<u>\$ 21,234,791</u>	<u>\$ 33,773,330</u>	<u>\$ 343,012</u>	<u>\$ 55,351,133</u>	<u>\$ 42,459,384</u>

See accompanying Notes to Financial Statements.

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, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS

\$ 12,891,749

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 and the net book value of capital assets in the current period.

Capital outlay expenditures	\$ 36,793,704	
Depreciation expense	(6,410,524)	
Net book value of disposed of capital assets	<u>(228,885)</u>	30,154,295

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 increased by this amount in the current period.

Deferred inflows of resources December 31, 2022	(12,095,236)	
Deferred inflows of resources December 31, 2023	<u>16,732,915</u>	4,637,679

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	9,690,000	
Repayment of leases payable	109,794	
Repayment of subscriptions payable	221,525	
Refunded note payment	24,655,000	
Amortization of bond premiums and discounts	370,894	
Issuance of debt	(20,263,615)	
Issuance of debt - refunding	(26,286,385)	
Proceeds from subscriptions payable	(621,620)	
Proceeds from leases payable	(110,329)	
Payment of bond premium	(2,067,428)	
Proceeds from collateralized borrowing	(4,847,804)	
Repayment of collateralized borrowing	<u>4,167,237</u>	(14,982,731)

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	5,219,834	
Current year change in accrued interest payable	18,944	
Current year change in compensated absences	(295,385)	
Current year change in retirement incentives	598,500	
Change in net post-employment benefit (OPEB) liability and related deferred inflows and outflows	<u>882,323</u>	6,424,216

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

12,118

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES

\$ 39,137,326

See accompanying Notes to Financial Statements.

The School District of the City of Scranton
Statement of Net Position – Proprietary Fund
December 31, 2023 With Summarized Comparative Totals for 2022

	Major Fund	Memorial	Totals		Internal Service Fund	
	Food Service	Stadium Fund	2023	2022	2023	2022
Assets						
Current assets						
Cash	\$ 8,818,146	\$ 221,107	\$ 9,039,253	\$ 9,099,774	\$ 605,572	\$ 584,842
Accounts receivable	3,867	50,000	53,867	57,300	-	-
Due from other funds	1,553,154	-	1,553,154	-	-	-
Due from other governments	1,246,779	-	1,246,779	1,151,326	-	-
Inventories	88,103	-	88,103	68,558	-	-
Total current assets	11,710,049	271,107	11,981,156	10,376,958	605,572	584,842
Noncurrent assets						
Capital assets, net	423,326	9,109	432,435	345,935	-	-
Total assets	12,133,375	280,216	12,413,591	10,722,893	605,572	584,842
Liabilities and Net Position						
Current liabilities						
Accounts payable	1,119,762	-	1,119,762	512,113	-	-
Accrued salaries and benefits	-	-	-	-	22,415	13,803
Unearned revenues	34,246	-	34,246	25,840	-	-
Due to other funds	-	73,000	73,000	700,075	-	-
Total current liabilities	1,154,008	73,000	1,227,008	1,238,028	22,415	13,803
Total liabilities	1,154,008	73,000	1,227,008	1,238,028	22,415	13,803
Net position						
Net investment in capital assets	423,326	9,109	432,435	345,935	-	-
Unrestricted	10,556,041	198,107	10,754,148	9,138,930	583,157	571,039
Total net position (deficit)	\$ 10,979,367	\$ 207,216	\$ 11,186,583	\$ 9,484,865	\$ 583,157	\$ 571,039

See accompanying Notes to Financial Statements.

The School District of the City of Scranton
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund
Year Ended, December 31, 2023 With Summarized Comparative Totals for 2022

	Major Fund	Memorial	Totals		Internal Service Fund	
	Food Service	Stadium Fund	2023	2022	2023	2022
Operating revenues						
Food service revenue	\$ 172,352	\$ -	\$ 172,352	\$ 160,717	\$ -	\$ -
Other local education activity income	-	-	-	50,000	-	-
Total operating revenues	<u>172,352</u>	<u>-</u>	<u>172,352</u>	<u>210,717</u>	<u>-</u>	<u>-</u>
Operating expenses						
Salaries and wages	194,910	-	194,910	185,764	293,730	237,661
Employee benefits	103,225	-	103,225	119,897	230,325	156,654
Purchased services	5,363,966	7,985	5,371,951	4,793,967	116,912	106,797
Supplies	620,640	6,000	626,640	595,333	-	-
Depreciation	84,401	3,387	87,788	78,294	-	-
Equipment	-	-	-	-	-	-
Dues and fees	205	-	205	205	37	-
Total operating expenses	<u>6,367,347</u>	<u>17,372</u>	<u>6,384,719</u>	<u>5,773,460</u>	<u>641,004</u>	<u>501,112</u>
Operating income (loss)	<u>(6,194,995)</u>	<u>(17,372)</u>	<u>(6,212,367)</u>	<u>(5,562,743)</u>	<u>(641,004)</u>	<u>(501,112)</u>
Nonoperating revenues						
Earnings on investments	114,165	3,181	117,346	35,043	23,122	7,678
Local sources	-	50,500	50,500	-	-	-
State sources	214,114	-	214,114	210,767	-	-
Federal sources	<u>7,532,125</u>	<u>-</u>	<u>7,532,125</u>	<u>7,704,818</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues	<u>7,860,404</u>	<u>53,681</u>	<u>7,914,085</u>	<u>7,950,628</u>	<u>23,122</u>	<u>7,678</u>
Change in net position before transfers	1,665,409	36,309	1,701,718	2,387,885	(617,882)	(493,434)
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>	<u>630,000</u>	<u>474,099</u>
Change in net position	1,665,409	36,309	1,701,718	1,887,885	12,118	(19,335)
Net position						
Beginning of year	<u>9,313,958</u>	<u>170,907</u>	<u>9,484,865</u>	<u>7,596,980</u>	<u>571,039</u>	<u>590,374</u>
End of year	<u>\$ 10,979,367</u>	<u>\$ 207,216</u>	<u>\$ 11,186,583</u>	<u>\$ 9,484,865</u>	<u>\$ 583,157</u>	<u>\$ 571,039</u>

See accompanying Notes to Financial Statements.

The School District of the City of Scranton
Statement of Cash Flows – Proprietary Fund
Year Ended December 31, 2023 With Summarized Comparative Totals for 2022

	Major Fund	Memorial	Totals		Internal Service Fund	
	Food Service	Stadium Fund	2023	2022	2023	2022
Operating activities						
Cash received from charges for services	\$ 175,785	\$ -	\$ 175,785	\$ 153,417	\$ -	\$ -
Cash received from other income	-	-	-	50,000	-	-
Cash payments to employees for services	(298,135)	-	(298,135)	(448)	-	-
Cash payments for insurance claims	-	-	-	-	(515,443)	(386,427)
Cash payments to supplies for goods and services	(4,827,565)	(13,985)	(4,841,550)	(4,792,627)	(116,949)	(106,797)
Net cash used in operating activities	(4,949,915)	(13,985)	(4,963,900)	(4,589,658)	(632,392)	(493,224)
Noncapital financing activities						
Contributions	-	50,500	50,500	-	-	-
State sources	210,544	-	210,544	180,569	-	-
Federal sources	4,699,277	-	4,699,277	6,252,558	-	-
Transfers in (out)	-	-	-	(500,000)	630,000	474,099
Net cash provided by noncapital financing activities	4,909,821	50,500	4,960,321	5,933,127	630,000	474,099
Capital and related financing activities						
Acquisition of capital assets	(174,288)	-	(174,288)	(67,122)	-	-
Investing activities						
Earnings on investments	114,165	3,181	117,346	35,043	23,122	7,678
Net change in cash	(100,217)	39,696	(60,521)	1,311,390	20,730	(11,447)
Cash						
Beginning of year	8,918,363	181,411	9,099,774	7,788,384	584,842	596,289
End of year	<u>\$ 8,818,146</u>	<u>\$ 221,107</u>	<u>\$ 9,039,253</u>	<u>\$ 9,099,774</u>	<u>\$ 605,572</u>	<u>\$ 584,842</u>
Reconciliation of operating loss to net cash used in operating activities:						
Operating loss	\$ (6,194,995)	\$ (17,372)	\$ (6,212,367)	\$ (5,562,743)	\$ (641,004)	\$ (501,112)
Adjustments to reconcile operating loss to net cash used in operating activities:						
Depreciation	84,401	3,387	87,788	78,294	-	-
Donated commodities used	560,736	-	560,736	507,573	-	-
(Increase) decrease in						
Accounts receivable	3,433	-	3,433	(7,300)	-	-
Due from other funds	-	-	-	-	-	-
Inventories	(19,545)	-	(19,545)	(9,288)	-	-
Increase (decrease) in						
Accounts payable	607,649	-	607,649	82,886	-	-
Accrued salaries and benefits	-	-	-	-	8,612	7,888
Due to other funds	-	-	-	305,213	-	-
Unearned revenue	8,406	-	8,406	15,707	-	-
Net cash used in operating activities	<u>\$ (4,949,915)</u>	<u>\$ (13,985)</u>	<u>\$ (4,963,900)</u>	<u>\$ (4,589,658)</u>	<u>\$ (632,392)</u>	<u>\$ (493,224)</u>
Supplemental disclosure						
Noncash noncapital financing activity						
USDA donated commodities	<u>\$ 560,736</u>	<u>\$ -</u>	<u>\$ 560,736</u>	<u>\$ 507,573</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

The School District of the City of Scranton
Statement of Net Position – Fiduciary Funds
December 31, 2023 With Summarized Comparative Totals for 2022

	<u>Private-Purpose Trust</u>		<u>Custodial Funds</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets				
Cash	\$ 98	\$ 4,575	\$ 467,271	\$ 494,174
Net position				
Net position held in trust for scholarships	98	4,575	-	-
Restricted for student activities	-	-	467,271	494,174
Total net position	<u>98</u>	<u>4,575</u>	<u>467,271</u>	<u>494,174</u>
 Total liabilities and net position	 <u>\$ 98</u>	 <u>\$ 4,575</u>	 <u>\$ 467,271</u>	 <u>\$ 494,174</u>

See accompanying Notes to Financial Statements.

The School District of the City of Scranton
Statement of Changes in Net Position – Fiduciary Funds
Year Ended December 31, 2023 With Summarized Comparative Totals for 2022

	Private-Purpose Trust		Custodial Funds	
	2023	2022	2023	2022
Additions				
Receipts from student groups	\$ -	\$ -	\$ 709,106	\$ 680,628
Investment earnings	<u>23</u>	<u>14</u>	<u>1,349</u>	<u>8,889</u>
Total additions	<u>23</u>	<u>14</u>	<u>710,455</u>	<u>689,517</u>
Deductions				
Student activity disbursements	-	-	737,358	672,635
Scholarships/awards and fees paid	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deductions	<u>4,500</u>	<u>-</u>	<u>737,358</u>	<u>672,635</u>
Change in net position	(4,477)	14	(26,903)	16,882
Net position				
Beginning of year	<u>4,575</u>	<u>4,561</u>	<u>494,174</u>	<u>477,292</u>
End of year	<u>\$ 98</u>	<u>\$ 4,575</u>	<u>\$ 467,271</u>	<u>\$ 494,174</u>

See accompanying Notes to Financial Statements.

The School District of the City of Scranton
Notes to Financial Statements
December 31, 2023

1. ORGANIZATION AND PURPOSE

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 School District of the City of Scranton
Notes to Financial Statements
December 31, 2023

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 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 School District of the City of Scranton
Notes to Financial Statements
December 31, 2023

The District also reports the following nonmajor governmental fund:

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.

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.

The School District of the City of Scranton

Notes to Financial Statements

December 31, 2023

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.

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
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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 2023 was 147.8486 mills (\$147.8486 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 ("NPIA") under which the District relinquishes to NPIA delinquent property tax revenues. The District received from NPIA a lump sum payment in exchange for the rights to receive and retain future delinquent property tax revenues.

The School District of the City of Scranton
Notes to Financial Statements
December 31, 2023

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.

Leases - Lessee

The District has entered into noncancellable leases as the lessee. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments include how the District determines (1) the discount rate it used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The District uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability is comprised of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

The School District of the City of Scranton
Notes to Financial Statements
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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, 2023.

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.

Pension

The District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. GASB establishes standards for the measurement, recognition, and display of pension expense and related liabilities, deferred outflows and deferred inflows of resources related to pension, certain required supplementary information, and note disclosures.

For the purpose of measuring net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of 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 refund 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, 2023

Other Postemployment Benefits (OPEB)

The District's OPEB plans are accounted for under the provisions of GASB establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities, deferred outflows and deferred inflows of resources related to other postemployment benefits, certain required supplementary information, and note disclosures. The District provides OPEB under the following two plans:

PSERS OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the PSERS and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

District OPEB Plan

The District sponsors a single-employer defined benefit OPEB plan. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The District OPEB plan is unfunded

Deferred Outflows for Pension and OPEB

Deferred outflows of resources for pension relate to the District's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included in deferred outflows of resources are contributions made to the pension plan subsequent to the measurement date and prior to the District's year end. The contributions will be recognized as a reduction in net pension liability in the following year.

Deferred outflows of resources for other OPEB liabilities relate to the District's liability for OPEB other than pensions and related expenses and arise from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net OPEB liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included in deferred outflows of resource are contributions or OPEB payments made subsequent to the measurement date and prior to the District's year end. These payments will be recognized as a reduction to the net other postemployment benefit liability in the following year.

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Notes to Financial Statements
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Deferred Inflows for Pension and OPEB

Deferred inflows of resources for pension relate to the District's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

Deferred inflows of resources for OPEB liabilities relate to the District's liability for OPEB other than pensions and related expenses and arise from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net OPEB liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

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.

The School District of the City of Scranton
Notes to Financial Statements
December 31, 2023

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.

Summarized Comparative Totals

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

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.

Implementation of 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. The implementation of GASB Statement No. 94 had no impact on the District's financial statements for the year ended December 31, 2023.

The School District of the City of Scranton
Notes to Financial Statements
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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. As a result of the implementation of Statement No. 96, the District recognized its right-to-use subscription assets and corresponding subscription liabilities for the year ended December 31, 2023.

New Accounting Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections*, will be effective for the District for the year ended December 31, 2024. GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *Compensated Absences*, will be effective for the District for the year ended December 31, 2024. GASB Statement No. 101 will update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 will require that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

GASB Statement No. 102, *Certain Risk Disclosures*, will be effective for the District for the year ended December 31, 2025. The objective of GASB Statement No. 102 is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

GASB Statement No. 103, *Financial Reporting Model Improvements*, will be effective for the District for the year ended December 31, 2026. The objective of GASB Statement No. 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for the District for the year ended December 31, 2026. The objective of GASB Statement No. 104 is to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments.

The School District of the City of Scranton
Notes to Financial Statements
December 31, 2023

3. 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.

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.

4. 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, 2023, the carrying amount of the District's deposits was \$82,563,105 and the bank balance was \$85,587,760. 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, \$1,036,883 was covered by federal depository insurance, and \$72,246,344 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 its 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, 2023, PLGIT was rated as AAA by a nationally recognized statistical rating agency.

The School District of the City of Scranton
Notes to Financial Statements
December 31, 2023

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 4,209,661	\$ -	\$ -	\$ 4,209,661
Construction in progress	16,360,785	33,261,493	14,405,074	35,217,204
Total capital assets not being depreciated	<u>20,570,446</u>	<u>33,261,493</u>	<u>14,405,074</u>	<u>39,426,865</u>
Capital assets being depreciated				
Buildings and improvements	173,195,760	15,235,831	645,345	187,786,246
Right-to-use leased equipment	-	104,719	-	104,719
Right-to-use subscription assets	-	621,620	-	621,620
Furniture and equipment	31,379,308	1,975,115	-	33,354,423
Textbooks	<u>2,348,753</u>	<u>-</u>	<u>-</u>	<u>2,348,753</u>
Total capital assets being depreciated	<u>206,923,821</u>	<u>17,937,285</u>	<u>645,345</u>	<u>224,215,761</u>
Less accumulated depreciation for				
Buildings and improvements	(100,803,435)	(4,905,093)	(416,460)	(105,292,068)
Right-to-use leased equipment	-	(104,198)	-	(104,198)
Right-to-use subscription assets	-	(77,993)	-	(77,993)
Furniture and equipment	(26,506,050)	(1,307,816)	-	(27,813,866)
Textbooks	<u>(2,270,100)</u>	<u>(15,424)</u>	<u>-</u>	<u>(2,285,524)</u>
Total accumulated depreciation	<u>(129,579,585)</u>	<u>(6,410,524)</u>	<u>(416,460)</u>	<u>(135,573,649)</u>
Total capital assets being depreciated, net	<u>77,344,236</u>	<u>11,526,761</u>	<u>228,885</u>	<u>88,642,112</u>
Governmental activities, net	<u>\$ 97,914,682</u>	<u>\$ 44,788,254</u>	<u>\$ 14,633,959</u>	<u>\$ 128,068,977</u>
Business-type activities				
Furniture and equipment	\$ 1,674,141	\$ 174,288	\$ -	\$ 1,848,429
Less: Accumulated depreciation	<u>(1,328,206)</u>	<u>(87,788)</u>	<u>-</u>	<u>(1,415,994)</u>
Business-type activities, net	<u>\$ 345,935</u>	<u>\$ 86,500</u>	<u>\$ -</u>	<u>\$ 432,435</u>

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

Governmental activities	
Instruction	\$ 3,968,292
Instructional student support	316,386
Administrative and financial support services	485,075
Operation and maintenance of plan services	1,597,255
Student activities	<u>43,516</u>
Total depreciation expense - governmental activities	<u>\$ 6,410,524</u>
Business-type activities	
Food service	\$ 84,401
Memorial stadium	<u>3,387</u>
Total depreciation expense - business-type activities	<u>\$ 87,788</u>

As of December 31, 2023, the District had outstanding construction commitments totaling \$26,780,447 for various renovations to District buildings and facilities.

The School District of the City of Scranton
Notes to Financial Statements
December 31, 2023

6. INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2023 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General fund	\$ 73,000	Memorial stadium fund	\$ 73,000
Food Service Fund	1,553,154	General fund	1,553,154
Capital projects fund	6,847,689	General fund	6,847,689
	<u>\$ 8,473,843</u>		<u>\$ 8,473,843</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, 2023 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Internal service fund	\$ 630,000	General fund	\$ 630,000
Capital projects fund	6,300,000	General fund	6,300,000
	<u>\$ 6,930,000</u>		<u>\$ 6,930,000</u>

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

7. NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended December 31, 2023:

	<u>Balance January 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2023</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$ 149,715,000	\$ 46,550,000	\$ 9,670,000	\$ 186,595,000	\$ 9,660,000
Notes payable	56,405,000	-	24,675,000	31,730,000	15,000
Bond discounts	(68,233)	-	(3,591)	(64,642)	(3,591)
Bond premiums	2,561,368	2,067,428	374,485	4,254,311	374,485
Total general obligation debt	<u>208,613,135</u>	<u>48,617,428</u>	<u>34,715,894</u>	<u>222,514,669</u>	<u>10,045,894</u>
Other noncurrent liabilities					
Compensated absences	21,650,757	295,385	-	21,946,142	4,389,229
Subscriptions payable	-	621,620	221,525	400,095	155,864
Leases payable	-	110,329	109,794	535	389
Net pension liability - PSERS	200,686,671	2,660,572	-	203,347,243	-
OPEB liability	16,783,407	1,146,752	5,539,923	12,390,236	552,970
Net OPEB liability - PSERS	8,307,400	-	46,474	8,260,926	-
Retirement incentives	4,166,500	693,153	1,291,653	3,568,000	1,716,500
Collateralized borrowing	2,808,837	4,847,804	4,167,237	3,489,404	-
Derivative instrument liability - interest rate swap	<u>2,254,492</u>	<u>-</u>	<u>2,254,492</u>	<u>-</u>	<u>-</u>
Total other noncurrent liabilities	<u>256,658,064</u>	<u>10,375,615</u>	<u>13,631,098</u>	<u>253,402,581</u>	<u>6,814,952</u>
Total governmental activities	<u>\$ 465,271,199</u>	<u>\$ 58,993,043</u>	<u>\$ 48,346,992</u>	<u>\$ 475,917,250</u>	<u>\$ 16,860,846</u>

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

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8. 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, 2023 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>
General obligation bonds				
Series of 2015B	2.00% - 4.00%	\$ 14,985,000	06/15/2031	\$ 8,050,000
Series of 2016B	3.15%	\$ 2,830,000	06/15/2034	7,660,000
Series of 2017A	3.00% - 5.00%	\$ 29,105,000	06/01/2025	1,975,000
Series of 2017B	3.00% - 5.00%	\$ 7,510,000	06/01/2025	870,000
Series of 2017C	2.00% - 5.00%	\$ 2,675,000	06/01/2031	58,405,000
Series of 2017E	2.00% - 5.00%	\$ 58,435,000	12/01/2037	9,475,000
Series of 2018A	2.25% - 5.00%	\$ 9,525,000	06/31/2037	2,820,000
Series of 2019	2.37% - 3.15%	\$ 19,005,000	04/01/2031	14,850,000
Series of 2020	2.00% - 4.00%	\$ 28,330,000	12/01/2045	28,160,000
Series of 2022	3.25% - 4.25%	\$ 10,000,000	12/01/2040	9,995,000
Series of 2023	4.17% - 5.00%	\$ 46,550,000	12/01/2045	44,335,000
Total general obligation bonds				<u>186,595,000</u>
General obligation notes				
Series of 2015A	1.00% - 3.80%	\$ 6,565,000	06/15/2034	4,400,000
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	21,725,000
Total general obligation notes				<u>31,730,000</u>
Total general obligation debt				<u>\$ 218,325,000</u>

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 Maturities</u>
2024	\$ 9,675,000	\$ 9,174,157	\$ 18,849,157
2025	10,105,000	8,751,167	18,856,167
2026	9,845,000	8,383,212	18,228,212
2027	10,240,000	7,972,688	18,212,688
2028	10,650,000	7,543,092	18,193,092
2029-2033	59,805,000	30,533,071	90,338,071
2034-2038	63,730,000	16,095,974	79,825,974
2039-2043	30,885,000	6,484,812	37,369,812
2044-2045	13,390,000	831,025	14,221,025
	<u>\$ 218,325,000</u>	<u>\$ 95,769,198</u>	<u>\$ 314,094,198</u>

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General Obligation Bonds, Series of 2023

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.

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, 2023. 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. RIGHT-TO-USE LEASES PAYABLE

The District entered into a long-term lease agreement as lessee for multi-functional devices. An initial lease liability was recorded in the amount of \$110,329. As of December 31, 2023, the carrying amount of the lease liabilities is \$535. The leases have a discount rate ranging from 2.75% to 3.00% and had varying estimated useful lives as of the contract commencement. The value of the intangible right-to-use asset as of December 31, 2023 is \$521, net of accumulated amortization of \$104,198 and is included with noncurrent assets on the statement of net position (deficit).

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 389	\$ 10	\$ 399
2025	146	3	149
	<u>\$ 535</u>	<u>\$ 13</u>	<u>\$ 548</u>

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11. RIGHT-TO-USE SUBSCRIPTIONS PAYABLE

The District has entered into subscription agreements for educational software. Initial subscription liabilities were recorded in the amount of \$621,620. As of December 31, 2023, the value of the subscription liabilities is \$400,095. The subscriptions have 5.00% interest rates and estimated useful lives were 3 to 4 years as of their contract commencements. The value of the intangible right-to-use subscription assets as of December 31, 2023 is \$543,627, net of accumulated amortization of \$77,993, and is included with noncurrent assets on the statement of net position (deficit). Future minimum lease payments under these leases are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 155,864	\$ 15,976	\$ 171,840
2025	202,961	12,212	215,173
2026	41,270	2,063	43,333
	<u>\$ 400,095</u>	<u>\$ 30,251</u>	<u>\$ 430,346</u>

12. 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, 2023:

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>
	<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, 2023. 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 \$12,390,236 all of which is unfunded. As of December 31, 2023, the OPEB liability of \$12,390,236 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

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The District's change in its OPEB liability for the year ended December 31, 2023 was as follows:

Balances as of January 1, 2023	<u>\$ 16,783,407</u>
Changes for the year:	
Service cost	759,719
Interest on total OPEB liability	387,033
Changes in assumptions	(4,909,175)
Benefit payments	<u>(630,748)</u>
Net changes	<u>(4,393,171)</u>
Balances as of December 31, 2023	<u>\$ 12,390,236</u>

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

For the year ended December 31, 2023, the District recognized net OPEB expense of \$134,005. At December 31, 2023, 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	\$ -	\$ 4,069,393
Changes of assumptions	2,271,221	5,466,715
Contributions subsequent to the measurement date	<u>552,970</u>	<u>-</u>
	<u>\$ 2,824,191</u>	<u>\$ 9,536,108</u>

\$552,970 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 for years ending December 31:

2024	\$ (1,012,747)
2025	(1,012,747)
2026	(1,012,747)
2027	(1,012,747)
2028	(1,113,176)
Thereafter	<u>(2,100,723)</u>
	<u>\$ (7,264,887)</u>

The School District of the City of Scranton
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Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the OPEB liability for December 31, 2023, 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>\$ 11,427,334</u>	<u>\$ 12,390,236</u>	<u>\$ 13,518,592</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 4.31%, as well as what the net OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (4.31%) or 1 percentage point higher (4.31%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>3.31%</u>	<u>4.31%</u>	<u>5.31%</u>
OPEB liability	<u>\$ 13,970,619</u>	<u>\$ 12,390,236</u>	<u>\$ 11,087,693</u>

Actuarial Methods and Significant Assumptions

The OPEB liability as of December 31, 2023, was determined by rolling forward the OPEB liability as of January 1, 2022 to December 31, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal
- Discount rate – 4.31% – S&P Municipal Bond 20-Year High Grade Rate Index. The discount rate changed from 2.25% to 4.31%.
- Salary growth – salary increases are composed of 2.50% cost of living adjustment, 1.50% 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 – 7.00% in 2023 with 0.50% decrease per year until 5.50% in 2026. Rates gradually decrease from 5.40% in 2027 to 4.10% in 2075 and later.
- Mortality – PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees. Incorporated into the tables are rates projected generationally using Scale MP-2021 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, 2023, there were no assumed future benefit increases to participating eligible retirees.

The School District of the City of Scranton
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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.

Employer Contributions

The District's contractually required contribution rate for the period January 1, 2023 to June 30, 2023 was 0.75% and July 1, 2023 to December 31, 2023 was 0.64% 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 \$223,576.

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

At December 31, 2023, the District reported a liability of \$8,260,926 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, 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, 2022 to June 30, 2023. 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 June 30, 2023, the District's proportion was 0.4566 percent, which was an increase of 0.0053 percent from its proportion measured as of June 30, 2022. As of December 31, 2023, the OPEB liability of \$8,260,926 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

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For the year ended December 31, 2023, the District recognized a net OPEB expense of \$38,000. At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 54,000	\$ 82,000
Changes of assumptions	714,000	1,563,000
Net difference between projected and actual investment earnings	19,000	-
Changes in proportions	653,000	832,000
Contributions subsequent to the measurement date	223,576	-
	<u>\$ 1,663,576</u>	<u>\$ 2,477,000</u>

\$223,576 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for years ending December 31:

2024	\$ (337,000)
2025	(288,000)
2026	(204,000)
2027	(212,000)
2028	4,000
	<u>\$ (1,037,000)</u>

Actuarial Assumptions

The net OPEB liability as of June 30, 2023, was determined by rolling forward the PSERS' net OPEB liability as of June 30, 2022 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 4.13% - 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.

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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, 2023 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, 2021 determined the employer contribution rate for plan fiscal year 2023.
- 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, 2023 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.

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	<u>100.00%</u>	1.20%

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, 2023.

Discount Rate

The discount rate used to measure the OPEB liability was 4.13%. 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 4.13% which represents the Standard & Poor's 20 year municipal bond rate at June 30, 2023, was applied to all projected benefit payments to measure the total OPEB liability.

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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, 2023, 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, 2023, 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>\$ 8,260,150</u>	<u>\$ 8,260,926</u>	<u>\$ 8,261,551</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 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.13%) or 1-percentage-point higher (5.13%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>3.13%</u>	<u>4.13%</u>	<u>5.13%</u>
District's proportionate share of the net OPEB liability	<u>\$ 9,339,945</u>	<u>\$ 8,260,926</u>	<u>\$ 7,357,716</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.

13. PENSION PLAN

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.

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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:

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%

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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 January 1, 2023 to June 30, 2023 was 34.51% and July 1, 2023 to December 31, 2023 was 33.36% 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 \$11,559,554.

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

At December 31, 2023, the District reported a liability of \$203,347,243 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022 to June 30, 2023. 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 June 30, 2023, the District's proportion was 0.4571 percent, which was an increase of 0.0448 percent from its proportion measured as of June 30, 2022. As of December 31, 2023, the net pension liability of \$203,347,243 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, 2023, the District recognized net pension expense of \$18,936,000. At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 46,000	\$ 2,784,000
Changes in assumptions	3,034,000	-
Net difference between projected and actual investment earnings	5,754,000	-
Changes in proportions	10,906,000	4,271,000
Contributions subsequent to the measurement date	11,559,554	-
	<u>\$ 31,299,554</u>	<u>\$ 7,055,000</u>

The School District of the City of Scranton
Notes to Financial Statements
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\$11,559,554 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 2,887,000
2025	1,139,000
2026	6,740,000
2027	<u>1,919,000</u>
	<u>\$ 12,685,000</u>

Actuarial Assumptions

The total pension liability as of June 30, 2023 was determined by rolling forward PSERS' total pension liability at June 30, 2022 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2023
- 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, 2022 and as of June 30, 2023.
- 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, 2023 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

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 School District of the City of Scranton
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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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	30.00%	5.20%
Private equity	12.00%	7.90%
Fixed income	33.00%	3.20%
Commodities	7.50%	2.70%
Infrastructure/MLPs	10.00%	5.40%
Real estate	11.00%	5.70%
Absolute return	4.00%	4.10%
Cash	3.00%	1.20%
Leverage	-10.50%	1.20%
	<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, 2023.

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:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	<u>\$ 263,594,088</u>	<u>\$ 203,347,243</u>	<u>\$ 152,516,932</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.

The School District of the City of Scranton
Notes to Financial Statements
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14. 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, 2023, this liability is recorded in the accompanying governmental-wide statement of net position (deficit) and totaled \$3,568,000.

15. 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 2023, the District's share of operating costs was \$2,082,498. 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 2023, the District's share of payroll and benefit cost was \$525,685. 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 2023, the District contracted with the NEIU for services which totaled \$1,424,506.

The School District of the City of Scranton
Notes to Financial Statements
December 31, 2023

16. 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.

17. 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; and natural disasters. Significant losses are covered by commercial insurance. For insured programs, there were no significant reductions in insurance coverages during the 2023 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, 2023 and are typically satisfied shortly after year end.

The following table present the components of the self-insurance benefit obligation and the related changes in the benefit obligation at December 31, 2023 and 2022:

	2023		
	Health Insurance	Workers' Compensation	Total
Insurance claims liability - beginning of year	\$ 2,329,769	\$ 13,803	\$ 2,343,572
Current year insurance claims and changes in estimates	23,462,664	641,004	24,103,668
Insurance claims paid	(23,847,039)	(632,392)	(24,479,431)
Insurance claims liability - end of year	<u>\$ 1,945,394</u>	<u>\$ 22,415</u>	<u>\$ 1,967,809</u>
	2022		
	Health Insurance	Workers' Compensation	Total
Insurance claims liability - beginning of year	\$ 1,980,622	\$ 5,915	\$ 1,986,537
Current year insurance claims and changes in estimates	20,531,516	501,112	21,032,628
Insurance claims paid	(20,182,369)	(493,224)	(20,675,593)
Insurance claims liability - end of year	<u>\$ 2,329,769</u>	<u>\$ 13,803</u>	<u>\$ 2,343,572</u>

The School District of the City of Scranton
Notes to Financial Statements
December 31, 2023

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 26, 2025, 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, 2023 that required recognition or disclosure in the financial statements.

On May 21, 2024, the District issued general obligation bonds, Series A and B, in the amounts of \$5,750,000 and \$2,890,000, respectively. Proceeds from Series A were used to currently refund general obligation notes, Series of 2016A and the proceeds from Series B were used to currently refund general obligation bonds, Series of 2016B.

REQUIRED SUPPLEMENTARY INFORMATION

The School District of the City of Scranton
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local sources	\$ 68,936,995	\$ 68,936,995	\$ 72,351,892	\$ 3,414,897
State sources	115,136,399	115,136,399	114,786,309	(350,090)
Federal sources	31,998,320	31,998,320	32,613,310	614,990
Total revenues	<u>216,071,714</u>	<u>216,071,714</u>	<u>219,751,511</u>	<u>3,679,797</u>
Expenditures				
Instruction				
Regular programs	90,455,812	90,455,812	86,681,893	3,773,919
Special programs	30,448,664	30,408,664	35,546,955	(5,138,291)
Vocational education	2,106,221	2,106,221	2,097,537	8,684
Other instructional programs	3,342,433	3,342,433	344,588	2,997,845
Nonpublic school programs	285,553	285,553	219,008	66,545
Higher education programs	-	-	3,010	(3,010)
Pre-kindergarten programs	-	-	21,562	(21,562)
Total instruction	<u>126,638,683</u>	<u>126,598,683</u>	<u>124,914,553</u>	<u>1,684,130</u>
Support services				
Pupil personnel services	5,696,229	5,662,465	5,704,762	(42,297)
Instructional staff services	1,925,040	1,965,040	1,984,843	(19,803)
Administrative services	7,846,212	7,846,212	8,269,426	(423,214)
Pupil health	2,404,317	2,438,081	2,395,341	42,740
Business services	1,616,893	1,616,893	1,518,281	98,612
Operation and maintenance of plant services	17,368,462	17,368,462	18,227,119	(858,657)
Student transportation services	6,628,953	6,628,953	6,561,686	67,267
Support services - central	4,836,920	4,836,920	4,844,483	(7,563)
Other support services	60,690	60,690	67,796	(7,106)
Total support services	<u>48,383,716</u>	<u>48,423,716</u>	<u>49,573,737</u>	<u>(1,150,021)</u>
Operation of noninstructional services				
Student activities	1,428,684	1,428,684	1,387,088	41,596
Community services	165,166	165,166	116,259	48,907
Total operation of noninstructional services	<u>1,593,850</u>	<u>1,593,850</u>	<u>1,503,347</u>	<u>90,503</u>
Facilities acquisition, construction and improvement services	<u>13,921,748</u>	<u>13,921,748</u>	<u>14,054,438</u>	<u>(132,690)</u>
Debt service	<u>18,748,717</u>	<u>18,748,717</u>	<u>19,046,255</u>	<u>(297,538)</u>
Total expenditures	<u>209,286,714</u>	<u>209,286,714</u>	<u>209,092,330</u>	<u>194,384</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,785,000</u>	<u>6,785,000</u>	<u>10,659,181</u>	<u>3,874,181</u>
Other financing sources (uses)				
Refund of prior year receipts	(920,000)	(920,000)	(954,773)	(34,773)
Proceeds from leases and other right to use arrangements	-	-	110,329	110,329
Transfers in	435,000	435,000	-	(435,000)
Transfers out	<u>(6,300,000)</u>	<u>(6,300,000)</u>	<u>(6,930,000)</u>	<u>(630,000)</u>
Total other financing sources (uses)	<u>(6,785,000)</u>	<u>(6,785,000)</u>	<u>(7,774,444)</u>	<u>(989,444)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,884,737</u>	<u>\$ 2,884,737</u>
Fund balance				
Beginning of year			<u>18,350,054</u>	
End of year			<u>\$ 21,234,791</u>	

The School District of the City of Scranton
Schedule of the District's Proportionate Share of the Net Pension Liability - PSERS
Year Ended December 31, 2023

	Measurement Date*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.4571%	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	\$ 203,347,243	\$ 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	\$ 67,959,317	\$ 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	299.22%	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	61.85%	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

* Measured as of June 30

The School District of the City of Scranton
Schedule of the District's Pension Plan Contributions - PSERS
Year Ended December 31, 2023

	<u>2023</u>	<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	\$ 22,956,702	\$ 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>\$ 22,956,702</u>	<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	\$ 67,959,317	\$ 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	33.78%	33.90%	33.58%	33.10%	32.47%	31.51%	28.73%	24.57%	20.07%	15.61%

The School District of the City of Scranton
Schedule of Changes in OPEB Liability – Single Employer Plan
Year Ended December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total OPEB liability				
Service cost	\$ 759,719	\$ 1,028,079	\$ 759,491	\$ 665,948
Interest on total OPEB liability	387,033	460,501	664,713	703,425
Differences between expected and actual experience	-	(5,425,857)	-	-
Change of assumptions	(4,909,175)	(1,561,583)	2,991,229	803,408
Benefit payments	<u>(630,748)</u>	<u>(1,199,657)</u>	<u>(1,230,625)</u>	<u>(1,166,470)</u>
Net change in total OPEB liability	(4,393,171)	(6,698,517)	3,184,808	1,006,311
 Total OPEB liability, beginning	<u>16,783,407</u>	<u>23,481,924</u>	<u>20,297,116</u>	<u>19,290,805</u>
 Total OPEB liability, ending	<u>\$ 12,390,236</u>	<u>\$ 16,783,407</u>	<u>\$ 23,481,924</u>	<u>\$ 20,297,116</u>
 Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%
 Covered payroll	\$ 63,297,321	\$ 63,297,321	\$ 54,666,758	\$ 54,666,768
 Net OPEB liability as a % of covered payroll	19.57%	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 Net OPEB Liability - PSERS
Year Ended December 31, 2023

	Measurement Date*						
	2023	2022	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.4566%	0.4513%	0.4116%	0.4475%	0.4558%	0.4958%	0.5238%
District's proportionate share of the net OPEB liability	\$ 8,260,926	\$ 8,307,400	\$ 9,755,262	\$ 9,669,119	\$ 9,694,146	\$ 10,337,000	\$ 10,672,000
District's covered payroll	\$ 67,959,317	\$ 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	12.16%	12.52%	16.72%	15.39%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	7.22%	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%

* Measured as of June 30

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 December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 471,268	\$ 526,997	\$ 478,958	\$ 526,810	\$ 552,215	\$ 554,000	\$ 579,000
Contributions in relation to the contractually required contribution	<u>\$ 471,268</u>	<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	\$ 67,959,317	\$ 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	0.69%	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 is present a ten-year trend is available.

OTHER INFORMATION

The School District of the City of Scranton
Budgetary Comparison Schedule – Revenues – General Fund
Year Ended December 31, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Local sources			
Current real estate taxes	\$ 45,520,641	\$ 44,800,973	\$ (719,668)
Public utility realty tax	65,000	59,726	(5,274)
Payment in lieu of current taxes	65,000	89,055	24,055
Occupational taxes	165,000	165,139	139
Earned income taxes	12,785,600	14,087,393	1,301,793
Real estate transfer taxes	700,000	1,553,453	853,453
Business privilege and mercantile taxes	3,705,754	5,172,413	1,466,659
Delinquent real estate taxes	4,600,000	4,610,092	10,092
Earnings on investments	125,000	800,599	675,599
Rentals	80,000	80,890	890
Summer school tuition	25,000	48,836	23,836
Receipts other LEAs	600,000	635,613	35,613
Other miscellaneous revenue	500,000	247,710	(252,290)
Total local sources	<u>68,936,995</u>	<u>72,351,892</u>	<u>3,414,897</u>
State sources			
Basic instructional subsidy	63,936,873	63,085,672	(851,201)
Level up supplement	-	2,825,215	2,825,215
Tuition for orphans and children placed in private homes	30,000	29,767	(233)
Special education funding for school aged pupils	8,738,206	8,793,370	55,164
Pupil transportation subsidy	1,350,000	1,589,944	239,944
Nonpublic and charter school pupil transportation subsidy	125,000	237,930	112,930
Rental and sinking fund payments	1,155,636	1,024,679	(130,957)
Health services	200,000	197,564	(2,436)
State property tax reduction allocation	5,512,719	5,461,571	(51,148)
Ready to learn block grant	9,636,814	9,436,814	(200,000)
Other state revenue	350,000	57,308	(292,692)
State share of social security and medicare taxes	3,881,252	3,268,468	(612,784)
State share of retirement contributions	20,219,899	18,778,007	(1,441,892)
Total state sources	<u>115,136,399</u>	<u>114,786,309</u>	<u>(350,090)</u>
Federal sources			
Federal IDEA revenue received as passthrough	2,180,000	2,193,254	13,254
Title I - Improving the academic achievement of disadvantaged	5,304,471	5,498,518	194,047
Title II - Preparing, training and recruiting high quality teachers and principals	533,123	464,827	(68,296)
Title III - Language instruction for limited english proficient and immigrant students	165,344	108,654	(56,690)
Title IV	400,225	254,123	(146,102)
Education stabilization fund (ESSER)	22,155,157	22,980,542	825,385
Governor's emergency education relief fund (GEER)	-	69,368	69,368
Other restricted federal grants-in-aid through the Commonwealth of PA	410,000	87,036	(322,964)
School based access medicaid reimbursement program reimbursements (ACCESS)	850,000	956,988	106,988
Total federal sources	<u>31,998,320</u>	<u>32,613,310</u>	<u>614,990</u>
Total revenues	<u>\$ 216,071,714</u>	<u>\$ 219,751,511</u>	<u>\$ 3,679,797</u>

The School District of the City of Scranton
Budgetary Comparison Schedule – Expenditures – General Fund
Year Ended December 31, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures			
Instruction			
Regular programs			
Salaries	\$ 45,451,112	\$ 44,349,737	\$ 1,101,375
Employee benefits	30,808,194	31,108,181	(299,987)
Purchased professional and technical services	1,145,617	754,061	391,556
Purchased property services	221,033	271,817	(50,784)
Other purchased services	9,429,158	7,001,380	2,427,778
Supplies	3,223,350	2,995,145	228,205
Equipment	106,638	171,596	(64,958)
Other	<u>70,710</u>	<u>29,976</u>	<u>40,734</u>
Total regular programs	<u>90,455,812</u>	<u>86,681,893</u>	<u>3,773,919</u>
Special programs			
Salaries	12,246,725	12,144,018	102,707
Employee benefits	8,329,589	8,608,917	(279,328)
Purchased professional and technical services	3,037,930	5,103,523	(2,065,593)
Other purchased services	6,486,867	9,585,501	(3,098,634)
Supplies	183,850	84,326	99,524
Equipment	120,693	20,670	100,023
Other	<u>3,010</u>	<u>-</u>	<u>3,010</u>
Total special programs	<u>30,408,664</u>	<u>35,546,955</u>	<u>(5,138,291)</u>
Vocational education			
Other purchased services	2,086,388	2,082,498	3,890
Supplies	17,505	15,039	2,466
Equipment	<u>2,328</u>	<u>-</u>	<u>2,328</u>
Total vocational education	<u>2,106,221</u>	<u>2,097,537</u>	<u>8,684</u>
Other instructional programs			
Salaries	1,978,000	297,535	1,680,465
Employee benefits	1,345,333	27,375	1,317,958
Other purchased services	<u>19,100</u>	<u>19,678</u>	<u>(578)</u>
Total other instructional programs	<u>3,342,433</u>	<u>344,588</u>	<u>2,997,845</u>
Nonpublic school programs			
Purchased professional and technical services	285,553	188,807	96,746
Other purchased services	-	16,370	(16,370)
Supplies	<u>-</u>	<u>13,831</u>	<u>(13,831)</u>
Total nonpublic school programs	<u>285,553</u>	<u>219,008</u>	<u>66,545</u>

The School District of the City of Scranton
Budgetary Comparison Schedule – Expenditures – General Fund
Year Ended December 31, 2023

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Higher education programs			
Other purchased services	-	3,010	(3,010)
Pre-kindergarten programs			
Salaries	-	16,896	(16,896)
Employee benefits	-	4,666	(4,666)
Total pre-kindergarten programs	-	21,562	(21,562)
Support services			
Pupil personnel services			
Salaries	3,335,508	2,857,398	478,110
Employee benefits	2,268,640	2,790,249	(521,609)
Purchased professional and technical services	32,861	27,106	5,755
Purchased property services	2,159	-	2,159
Other purchased services	3,215	974	2,241
Supplies	20,082	29,035	(8,953)
Total pupil personnel services	5,662,465	5,704,762	(42,297)
Instructional staff services			
Salaries	953,692	1,105,540	(151,848)
Employee benefits	648,652	771,084	(122,432)
Purchased professional and technical services	179,113	66,335	112,778
Purchased property services	5,322	-	5,322
Other purchased services	10,455	6,321	4,134
Supplies	136,384	35,563	100,821
Equipment	27,982	-	27,982
Other	3,440	-	3,440
Total instructional staff services	1,965,040	1,984,843	(19,803)
Administrative services			
Salaries	4,210,084	4,417,326	(207,242)
Employee benefits	2,871,481	3,157,656	(286,175)
Purchased professional and technical services	610,000	590,821	19,179
Purchased property services	9,674	3,177	6,497
Other purchased services	54,893	34,988	19,905
Supplies	25,936	10,243	15,693
Equipment	820	-	820
Other	63,324	55,215	8,109
Total administrative services	7,846,212	8,269,426	(423,214)
Pupil health			
Salaries	1,250,774	1,335,778	(85,004)
Employee benefits	850,712	951,611	(100,899)
Purchased professional and technical services	247,034	46,188	200,846
Purchased property services	50,000	25,970	24,030
Other purchased services	1,624	-	1,624
Supplies	37,937	35,794	2,143
Total pupil health	2,438,081	2,395,341	42,740

The School District of the City of Scranton
Budgetary Comparison Schedule – Expenditures – General Fund
Year Ended December 31, 2023

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Business services			
Salaries	754,690	522,255	232,435
Employee benefits	513,301	436,284	77,017
Purchased professional and technical services	239,227	453,453	(214,226)
Purchased property services	32,800	19,654	13,146
Other purchased services	13,325	-	13,325
Supplies	61,500	80,091	(18,591)
Other	2,050	6,544	(4,494)
Total business services	<u>1,616,893</u>	<u>1,518,281</u>	<u>98,612</u>
Operation and maintenance of plant services			
Salaries	6,062,158	5,540,622	521,536
Employee benefits	4,123,166	4,336,787	(213,621)
Purchased professional and technical services	1,543,000	1,143,929	399,071
Purchased property services	2,637,982	3,172,968	(534,986)
Other purchased services	843,056	1,033,934	(190,878)
Supplies	1,659,100	2,278,243	(619,143)
Equipment	500,000	720,556	(220,556)
Other	-	80	(80)
Total operation and maintenance of plant services	<u>17,368,462</u>	<u>18,227,119</u>	<u>(858,657)</u>
Student transportation services			
Salaries	109,758	113,094	(3,336)
Employee benefits	74,652	85,655	(11,003)
Other purchased services	<u>6,444,543</u>	<u>6,362,937</u>	<u>81,606</u>
Total student transportation services	<u>6,628,953</u>	<u>6,561,686</u>	<u>67,267</u>
Support services - central			
Salaries	1,240,156	1,417,612	(177,456)
Employee benefits	843,490	1,275,492	(432,002)
Purchased professional and technical services	1,093,054	771,982	321,072
Other purchased services	20,000	4,299	15,701
Supplies	84,200	77,480	6,720
Equipment	1,555,000	1,295,731	259,269
Other	<u>1,020</u>	<u>1,887</u>	<u>(867)</u>
Total support services - central	<u>4,836,920</u>	<u>4,844,483</u>	<u>(7,563)</u>
Other support services			
Other purchased services	<u>60,690</u>	<u>67,796</u>	<u>(7,106)</u>

The School District of the City of Scranton
Budgetary Comparison Schedule – Expenditures – General Fund
Year Ended December 31, 2023

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Operation of noninstructional services			
Student activities			
Salaries	575,000	621,524	(46,524)
Employee benefits	247,825	215,739	32,086
Purchased professional and technical services	77,900	39,903	37,997
Purchased property services	29,018	23,681	5,337
Other purchased services	202,338	137,428	64,910
Supplies	67,530	57,319	10,211
Equipment	79,268	120,305	(41,037)
Other	149,805	171,189	(21,384)
Total student activities	<u>1,428,684</u>	<u>1,387,088</u>	<u>41,596</u>
Community services			
Salaries	98,800	74,474	24,326
Employee benefits	13,546	9,749	3,797
Purchased professional and technical services	-	1,307	(1,307)
Other purchased services	-	500	(500)
Supplies	<u>52,820</u>	<u>30,229</u>	<u>22,591</u>
Total community services	<u>165,166</u>	<u>116,259</u>	<u>48,907</u>
Facilities acquisition construction and Improvement			
Purchased property services	<u>13,921,748</u>	<u>14,054,438</u>	<u>(132,690)</u>
Debt service			
Principal	9,383,717	9,943,236	(559,519)
Interest	<u>9,365,000</u>	<u>9,103,019</u>	<u>261,981</u>
Total debt service	<u>18,748,717</u>	<u>19,046,255</u>	<u>(297,538)</u>
Total expenditures	<u>\$ 209,286,714</u>	<u>\$ 209,092,330</u>	<u>\$ 194,384</u>

SINGLE AUDIT

**The School District of the City of Scranton
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023**

<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>Total Received for Year</u>	<u>Accrued (Deferred) Revenue January 1, 2023</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue December 31, 2023</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Education</u>										
Passed-Through the Pennsylvania Department of Education										
Title I - Improving Basic Programs	I	84.010	013-220376	07/01/2021 - 09/30/2022	\$ 366,556	\$ -	\$ 366,556	\$ 366,556	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-230376	07/01/2022 - 09/30/2023	4,225,415	(901,141)	5,126,556	5,126,556	-	-
Title I - Delinquent	I	84.010	107-220376	07/01/2021 - 09/30/2022	4,769	-	4,769	4,769	-	-
Title I - Delinquent	I	84.010	107-230376	07/01/2022 - 09/30/2023	7,517	-	637	637	(6,880)	-
Total ALN #84.010					4,604,257	(901,141)	5,498,518	5,498,518	(6,880)	-
Title II - Improving Teacher Quality	I	84.367	020-220376	07/01/2021 - 09/30/2022	40,003	-	40,003	40,003	-	-
Title II - Improving Teacher Quality	I	84.367	020-230376	07/01/2022 - 09/30/2023	359,814	(68,450)	424,824	424,824	(3,440)	-
Total ALN #84.367					399,817	(68,450)	464,827	464,827	(3,440)	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-220376	07/01/2021 - 09/30/2022	2,136	-	2,136	2,136	-	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-230376	07/01/2022 - 09/30/2023	132,275	25,757	106,518	106,518	-	-
Total ALN #84.365					134,411	25,757	108,654	108,654	-	-
Title IV - Student Support and Academic Achievement	I	84.424	144-220376	07/01/2021 - 09/30/2022	24,053	-	24,053	24,053	-	-
Title IV - Student Support and Academic Achievement	I	84.424	144-230376	07/01/2022 - 09/30/2023	320,180	90,110	230,070	230,070	-	-
Total ALN #84.424					344,233	90,110	254,123	254,123	-	-
COVID-19 aTSI GEER	I	84.425C	254-200376	03/13/2020 - 09/30/2022	69,368	-	69,368	69,368	-	-
COVID-19 CRRSA Act - ESSER II Fund Local	I	84.425D	200-210376	03/13/2020 - 09/30/2023	12,757,239	2,150,424	10,606,815	10,606,815	-	-
COVID-19 ARP Act - ESSER III Fund Local	I	84.425U	223-210376	03/13/2020 - 09/30/2024	10,412,488	1,299,513	11,839,777	11,839,777	2,726,802	-
COVID-19 ARP ESSER 7% Set Aside	I	84.425U	225-210376	03/13/2020 - 09/30/2024	72,258	(205,056)	-	-	(277,314)	-
COVID-19 ARP ESSER 7% Set Aside	I	84.425U	225-210376	03/13/2020 - 09/30/2024	14,451	-	202,183	202,183	187,732	-
COVID-19 ARP ESSER 7% Set Aside	I	84.425U	225-210376	03/13/2020 - 09/30/2024	14,452	-	75,763	75,763	61,311	-
COVID-19 ARP ESSER Homeless Children & Youth	I	84.425W	181-212385	03/13/2020 - 09/30/2024	19,249	(14,865)	7,289	7,289	(26,825)	-
COVID-19 ARP ESSER 2.5%	I	84.425U	224-210376	03/13/2020 - 09/30/2024	95,216	(31,739)	100,688	100,688	(26,267)	-
Total ALN #84.425					23,454,721	3,198,277	22,901,883	22,901,883	2,645,439	-

See Independent Auditors' Report
See accompanying Notes to Schedule of Expenditures of Federal Awards.

The School District of the City of Scranton
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

<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>Total Received for Year</u>	<u>Accrued (Deferred) Revenue January 1, 2023</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue December 31, 2023</u>	<u>Passed Through to Subrecipients</u>
Passed-Through the Northeastern Educational Intermediate Unit 19										
I.D.E.A. - Part B, Section 611	I	84.027	062-220019	07/01/2021 - 09/30/2022	2,271,250	2,271,250	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-230019	07/01/2022 - 09/30/2023	13,366	-	2,193,254	2,193,254	2,179,888	-
Total ALN #84.027					2,284,616	2,271,250	2,193,254	2,193,254	2,179,888	-
Total U.S. Department of Education					31,222,055	4,615,803	31,421,259	31,421,259	4,815,007	-
<u>Federal Communication Commission</u>										
Emergency Connectivity Fund Program	D	32.009	ECF202109257	07/01/21 - 06/30/2023	148,027	-	148,027	148,027	-	-
<u>U.S. Department of Health and Human Services</u>										
Passed-Through Pennsylvania Department of Education Temporary Assistance for Needy Families	I	93.558	4100089879	07/01/2022 - 06/30/2023	153,616	66,580	87,036	87,036	-	-
Passed-Through Pennsylvania Department of Human Services Medical assistance program reimbursement for administration	I	93.778	N/A	01/01/2023 - 12/31/2023	159,320	-	159,320	159,320	-	-
Total U.S. Department of Health and Human Services					312,936	66,580	246,356	246,356	-	-
<u>U.S. Department of Agriculture</u>										
Passed-Through the Pennsylvania Department of Education Fresh Fruit and Vegetable Program	I	10.582	N/A	01/01/2022 - 12/31/2022	22,260	22,260	-	-	-	-
Fresh Fruit and Vegetable Program	I	10.582	N/A	01/01/2023 - 12/31/2023	192,597	-	212,927	212,927	20,330	-
					214,857	22,260	212,927	212,927	20,330	-
P-EBT Local Admin Funds	I	10.649	N/A	01/01/2023 - 12/31/2023	6,180	-	6,180	6,180	-	-
Breakfast Program	I	10.553	N/A	01/01/2022 - 12/31/2022	341,467	341,467	-	-	-	-
Breakfast Program	I	10.553	N/A	01/01/2023 - 12/31/2023	1,648,273	-	2,023,269	2,023,269	374,996	-
					1,989,740	341,467	2,023,269	2,023,269	374,996	-
Summer Food Service Program	I	10.559	N/A	01/01/2023 - 12/31/2023	70,112	-	70,112	70,112	-	-

See Independent Auditors' Report
See accompanying Notes to Schedule of Expenditures of Federal Awards.

The School District of the City of Scranton
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

<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>Total Received for Year</u>	<u>Accrued (Deferred) Revenue January 1, 2023</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue December 31, 2023</u>	<u>Passed Through to Subrecipients</u>
Supply Chain Assistance	I	10.555	N/A	01/01/2023 - 12/31/2023	197,815	-	197,815	197,815	-	-
National School Lunch Program	I	10.555	N/A	01/01/2022 - 12/31/2022	751,607	751,607	-	-	-	-
National School Lunch Program	I	10.555	N/A	01/01/2023 - 12/31/2023	3,649,195	-	4,461,085	4,461,085	811,890	-
Passed-Through the Pennsylvania Department of Agriculture National School Lunch Program	I	10.555	N/A	01/01/2023 - 12/31/2023	553,435	(15,708)	560,737	560,737	(8,406)	-
Total ALN #10.555					5,152,052	735,899	5,219,637	5,219,637	803,484	-
Total U.S. Department of Agriculture					7,432,941	1,099,626	7,532,125	7,532,125	1,198,810	-
Total Federal awards					\$ 39,115,959	\$ 5,782,009	\$ 39,347,767	\$ 39,347,767	\$ 6,013,817	\$ -
Special Education Cluster (IDEA) (ALN's #84.027 and #84.173)					\$ 2,284,616	\$ 2,271,250	\$ 2,193,254	\$ 2,193,254	\$ 2,179,888	\$ -
Child Nutrition Cluster (ALN's #10.553, #10.555, #10.582 and #10.559)					\$ 7,404,501	\$ 1,077,366	\$ 7,525,945	\$ 7,525,945	\$ 1,198,810	\$ -

Source Codes

D - Direct Funding

I - Indirect Funding

ALN - Assistance Listing Number

See Independent Auditors' Report
See accompanying Notes to Schedule of Expenditures of Federal Awards.

The School District of the City of Scranton
Notes to Schedule of Expenditures of Federal Awards
December 31, 2023

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 2023 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, 2023 was \$797,668.

5. INDIRECT COSTS

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



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

Board of School Directors
The School District of the City of Scranton

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, 2023, 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 August 26, 2025.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness 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.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
August 26, 2025



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

Board of School Directors
The School District of the City of Scranton

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, 2023. The School District of the City of Scranton's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of 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.

Auditors' Responsibilities for the Audit of Compliance

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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.

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
August 26, 2025

**The School District of the City of Scranton
Schedule of Findings and Questioned Costs
Year Ended December 31, 2023**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
10.553	Child Nutrition Cluster:
10.555	Breakfast Program
10.559	National School Lunch Program
10.582	Summer Food Service Program
	Fresh Fruit and Vegetable Program
84.010	Title I – Improving Basic Programs
84.425	Education Stabilization Fund

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

\$ 1,180,433

Auditee qualified as low-risk auditee? _____ yes x no

**The School District of the City of Scranton
Schedule of Findings and Questioned Costs
Year Ended December 31, 2023**

Section II – Financial Statement Findings

None

Section III – Findings and Questioned Costs – Major Federal Programs

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

Section IV – Summary Schedule of Prior Audit Findings

None

