

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 1, 2025



NEW ISSUE

BOOK-ENTRY ONLY

RATINGS: (See "MISCELLANEOUS – Ratings" herein)

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

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

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

\$21,160,000*

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

DATED: Date of Delivery

DUE: As shown on inside cover

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

INTEREST PAYABLE: June 1 and December 1

FIRST INTEREST PAYMENT DATE: December 1, 2025

MATURITY SCHEDULE
(See Inside Front Cover)

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

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

Purpose: Proceeds of the Bonds will be used: (1) to currently refund the School District's outstanding General Obligation Bonds, Series C of 2017; (2) to currently refund the School District's outstanding General Obligation Notes, Series D of 2017; and (3) to pay the costs of issuing the Bonds.

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

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

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

STIFEL

RAYMOND JAMES®



Capital
Markets

DATED: _____, 2025

*Preliminary, subject to change

\$21,160,000*
SCHOOL DISTRICT OF THE CITY OF SCRANTON
Lackawanna County, Pennsylvania
General Obligation Bonds, Series A of 2025

Dated: Date of Delivery
Due: As shown below
Denominations: \$5,000 or any integral multiple thereof

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

MATURITY SCHEDULE

<u>Year</u> <u>(December 1)</u>	<u>Maturity Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP**</u>
2025	\$	%		%	
<u>Year</u> <u>(June 1)</u>	<u>Maturity Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP**</u>
2026	\$	%		%	
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					

*Preliminary, subject to change.

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

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

BOARD OF SCHOOL DIRECTORS

Ty Holmes	President
Danielle Cheseck	Vice President
Tara Yanni	Member
Marie Merkel	Member
Sean McAndrew	Member
Catherine Fox	Member
Jenna Strzelecki	Member
Tom Borthwick	Member
Bob Casey	Member

SUPERINTENDENT

Erin Keating, Ed.D.

ASSISTANT TO THE SUPERINTENDENT OF FINANCE AND OPERATIONS

Patrick Laffey

DISTRICT SOLICITOR

Joyce, Carmody & Moran, P.C.
Pittston, Pennsylvania

PAYING AGENT

The Fidelity Deposit and Discount Bank
Dunmore, Pennsylvania

BOND COUNSEL

Stevens & Lee, P.C.
Scranton, Pennsylvania

UNDERWRITERS

Stifel, Nicolaus & Company, Incorporated
Conshohocken, Pennsylvania

Raymond James & Associates, Inc.
Lancaster, Pennsylvania

RBC Capital Markets, LLC
Philadelphia, Pennsylvania

UNDERWRITERS' COUNSEL

Eckert Seamans Cherin & Mellott, LLC
Harrisburg, Pennsylvania

MUNICIPAL ADVISOR

FSL Public Finance, LLC
Scranton, Pennsylvania

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

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

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

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

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

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

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

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

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

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PRELIMINARY OFFICIAL STATEMENT

\$21,160,000*

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

INTRODUCTION

This Official Statement is furnished by the School District of the City of Scranton, Lackawanna County, Pennsylvania (the “School District”), in connection with the issuance of its \$21,160,000* General Obligation Bonds, Series A of 2025 (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Board of School Directors of the School District (the “School Board”) on February 3, 2025 (the “Resolution”), naming The Fidelity Deposit and Discount Bank, Dunmore, Pennsylvania, as Paying Agent (the “Paying Agent”), and in accordance with the Local Government Unit Debt Act, 53 Pa.C.S. Chs. 80-82 (the “Act”) of the Commonwealth of Pennsylvania (the “Commonwealth”). The Bonds, when issued, will be general obligation bonds of the School District, issued pursuant to the Resolution.

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

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

THE BONDS

General

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

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

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

The Bonds will bear interest semiannually on June 1 and December 1 of each year, commencing on December 1, 2025, (each an "Interest Payment Date"), as set forth on the inside cover page hereof. The Bonds mature on the dates and in the amounts shown on the inside cover page hereof. Each Bond shall bear interest from the Interest Payment Date next preceding the date of registration and authentication of such Bonds, unless (a) such Bonds are registered and authenticated as of an Interest Payment Date, in which event such Bonds shall bear interest from said Interest Payment Date, or (b) the Bonds are registered and authenticated after a Record Date (herein defined) and before the next succeeding Interest Payment Date, in which event such Bonds shall bear interest from such Interest Payment Date, or (c) the Bonds are registered and authenticated on or prior to the Record Date preceding December 1, 2025, in which event such Bonds shall bear interest from the dated date of the Bonds, or (d) as shown by the records of the Paying Agent, interest on such Bonds shall be in default, in which event such Bonds shall bear interest from the date to which interest was last paid on such Bond. Interest shall be computed on the basis of a 30-day month and a 360-day year.

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

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

Transfer, Exchange and Registration of Bonds

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

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

Optional Redemption

The Bonds stated to mature on or after June 1, 20__ are subject to redemption prior to maturity at the option of the School District, in whole or in part, in any order of maturity at any time on or after ____, 20__, at a price equal to 100% of the principal amount of the Bonds to be redeemed and accrued interest thereon to the date fixed for such optional redemption. In the event that less than all of the Bonds of a particular maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be drawn by lot by the Paying Agent.

Mandatory Redemption

The Bonds stated to mature on June 1, 20__ are subject to mandatory redemption, prior to maturity, on June 1 of the years (at a price equal to the principal amount of the Bonds called for mandatory redemption plus accrued interest thereon to the date fixed

for such mandatory redemption) and in the principal amounts set forth in the following schedule, as drawn by lot by the Paying Agent.

Bonds Mandatory Redemption Schedule

<u>Redemption Date</u> <u>(June 1)</u>	<u>Principal Amount to be</u> <u>Redeemed</u>
---	--

*

*Term Bond Maturity

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

Extraordinary Mandatory Redemption

The Bonds are subject to extraordinary mandatory redemption by the School District prior to maturity, as a whole or in part at any time, at 100% of the par amount thereof, plus accrued interest thereon to the date fixed for such extraordinary mandatory redemption to the extent that there are “available amounts” generated in the preceding fiscal year of the School District as determined by the School District under §1.148-6(d)(3)(iii) of the regulations promulgated pursuant to the Internal Revenue Code of 1986, as amended. Such determination shall be made by the School District at the end of each fiscal year of the School District.

Notice of Redemption

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

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

Event of Default Remedies

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

BOOK-ENTRY ONLY SYSTEM

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

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

DTC the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing

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

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

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

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

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

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

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

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

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

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

Disclaimer of Liability for Failures of DTC

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

SECURITY FOR THE BONDS

General Obligation

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

Sinking Fund

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

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

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

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

Section 633 ("Section 633") of the Pennsylvania Public School Code of 1949 (Act of March 10, 1949, P.L. 30, as amended) (the "Public School Code" or the "School Code") presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness (which excludes any termination payment due on the Swap) at date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date, or on a sinking fund deposit date (which, pursuant to the Resolution, is at least fifteen (15) days prior to such principal or interest due date), in accordance with the schedule under which the bonds or notes were issued, the Secretary of Education of the Commonwealth shall notify the board of school directors of its obligation and shall withhold from any

Commonwealth appropriation due such school district, if any, an amount equal to the sum of such principal and/or interest and shall pay over such amount directly to the bank acting as sinking fund depository for the bond issue (“Intercept Program”). **THERE CAN BE NO ASSURANCE, HOWEVER, THAT ANY PAYMENTS PURSUANT TO SUCH WITHHOLDING PROVISIONS WILL BE MADE BY THE DATE ON WHICH SUCH PAYMENTS ARE DUE TO THE BONDHOLDERS, NOR CAN ANY ASSURANCES BE GIVEN THAT THERE ARE FUNDS REMAINING TO BE DISBURSED TO THE SCHOOL DISTRICT FROM SUCH ANNUAL APPROPRIATION SUFFICIENT TO SATISFY THE PAYMENTS ON THE BONDS AT THE TIME OF SUCH REQUEST.**

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

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers’ salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors’ rights generally. See “**Pennsylvania Budget Adoption**” hereinafter.

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

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

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

Pennsylvania Budget Adoption

Over several of the past years, the Commonwealth has started its fiscal year without a fully adopted state budget. On June 30, 2025 Pennsylvania lawmakers missed the June 30th deadline to pass the state budget for the fourth consecutive year. Governor Josh Shapiro has proposed a \$51.5 billion spending plan for the 2025-2026 fiscal year. No timeline for the adoption of the state budget can be provided. In light of this history, no assurance can be provided that future appropriations by the Commonwealth to the School District or to fund the Commonwealth’s school district intercept programs will be made in any particular amount or on any particular timetable, will be consistent with past levels of subsidy, or at levels needed or requested by the School District now or in the future.

During a state budget impasse, school districts in Pennsylvania cannot be certain when state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others. Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the School Code, however recent legislation included in Act 85 of

2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the School Code during any future budget impasses. (See “Act 85 of 2016” hereinafter).

Act 85 of 2016

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

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

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

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

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

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

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

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

Actions in the Event of Default

Subject to the exclusive representation of holders of the Bonds by a trustee appointed under the Act as described in the following paragraph, if the School District fails or neglects to pay principal or interest on any of the Bonds as it becomes due and

payable, and such failure continues for thirty (30) days, the holder of such Bond may bring suit in a court of appropriate jurisdiction and venue and any judgment recovered shall have an appropriate priority upon the money next coming into the treasury of the School District, all as provided in the Act. The Act also provides other remedies to holders of the Bonds to enforce the School District's covenants in respect of payment of the Bonds.

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

SCHOOL DISTRICT PREVIOUSLY SUBJECT TO FINANCIAL RECOVERY STATUS

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

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

INVESTMENT CONSIDERATIONS

The Bonds, like all investment securities, carry a risk of loss of the investment, in whole or in part. This does not purport to describe all of the risks of an investment in the Bonds; both the School District and the Underwriters disclaim any responsibility to advise prospective investors of such risks either as they may exist at the date of dissemination of this Official Statement or as they may appear or change from time to time in the future. Prospective purchasers of the Bonds should consult their own legal and tax advisors as to the risks associated with an investment in the Bonds, their ability bear a loss from an investment in the Bonds and the suitability of investing in the Bonds, in light of their particular, individual, circumstances. Prospective purchasers should carefully consider the matters described below, as well as all the information contained within this entire Official Statement.

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

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

State Intercept Procedures and Timing

The successful operation of the State Intercept depends on the performance of certain administrative actions and the availability of adequate appropriations which can be withheld for payment or the successful operation of the provisions of the Fiscal Code added by Act 85 applicable in the case of a Commonwealth budget impasse. See "**SECURITY FOR THE BONDS – Pennsylvania Budget Adoption**" herein.

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

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

Reliance on Commonwealth Funding and Delays in Commonwealth Budget Process

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

Future Debt

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

No Assurance of Secondary Market for the Bonds

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

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

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

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

10. Pressure on the School District's state law debt ceiling under the Act which may limit its ability over time to undertake budgetary debt service savings transactions and/or fund capital improvements; and
11. Changes in public support for public education funding, in general, and funding for the School District, in particular, which may impact the level of Commonwealth education aid received by the School District and/or constrain the ability of the School District to raise taxes.

Economic Factors Affecting the Financial Condition of the School District

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

Uncertainty of Tax Revenues

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

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

Equity Funding Lawsuit

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

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

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

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

A Joint Application in the Nature of a Motion for Post-Trial Relief (the "Joint Application") was filed by Respondent Senator Kim Ward, President Pro Tempore of the Pennsylvania Senate, and Intervenor Representative Bryan Cutler, Leader of the Republican

Caucus of the Pennsylvania House of Representatives. The Joint Application was denied by the Commonwealth Court by order dated June 21, 2023. The deadline for a further appeal to the Pennsylvania Supreme Court lapsed on July 21, 2023, without any such appeal being taken. Therefore, the decision of the Commonwealth Court stands.

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

Actions In The Event Of Default

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

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

Competing Commonwealth Intercept Authorities

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

Pension Plans and Pension Funding Pressure

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

The School District’s annual pension contribution obligation may increase over the next several years. As PSERS’ pension obligations rise, it should be expected that the annual amount payable by the School District to PSERS will also rise, potentially

absorbing a greater share of available revenues and leaving less funding for student learning and negatively impacting the available sources of funds the School District has to pay debt service on the Bonds and its other indebtedness. See “**Pension Program**” herein.

Cyber Event

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

LITIGATION

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

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

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

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

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

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

On August 15, 2022, Plaintiffs filed an Amended Complaint against the School District alleging essentially same claims, but the individual defendants were dropped from the Amended Complaint. On October 14, 2022, the School District filed a Motion to Dismiss the Amended Complaint. In the Spring of 2024 the District Court granted the motion to dismiss the Amended Complaint. While the Plaintiffs had the ability to refile in state court with respect to the medical monitoring claim, they failed to do so within thirty (30) days of the court’s order and therefore all claims have been effectively dismissed with prejudice.

DEFAULTS AND REMEDIES

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

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

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

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

The Taxpayer Relief Act, as Amended

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

1. to pay interest on and principal of indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest on and principal of any indebtedness approved by the voters at referendum;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees' Retirement System when the increase in the actual dollar amount of estimated payments between the current year and the upcoming year is greater than the Index.

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

A school district intending to utilize the foregoing exceptions is entitled to apply to PDE for approval thereof, if and to the extent a tax increase greater than the Index is needed in any particular fiscal year. The Taxpayer Relief Act provides that PDE shall

approve a school district's request if a review of the data demonstrates that the school district qualifies for the exception sought and the sum of the dollar amounts of all exceptions for which the school district qualifies is not more than what is necessary to balance the budget after giving effect to the revenue to be raised by the allowable increase under the Index. There can be no assurance; however, that approval will be given by PDE to utilize a referendum exception in any future fiscal year or years.

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

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

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

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

Act 130 of 2008

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

Act 48 of 2003

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

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

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

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

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used: (1) to currently refund the School District's outstanding General Obligation Bonds, Series C of 2017 (the "2017C Bonds"); (2) to currently refund the School District's outstanding General Obligation Notes, Series D of 2017 (the "2017D Notes"); and (3) to pay the costs of issuing the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Par Amount of the Bonds.....	\$
Plus/Less: Net Original Issue Premium/Discount.....	
Total Estimated Sources of Funds	<u>\$</u>

Uses of Funds

2017C Bonds Refunding Requirement	
2017D Notes Refunding Requirement	
Costs of Issuance ⁽¹⁾	
Total Uses of Funds	<u>\$</u>

(1) Includes legal fees, underwriters' discount, rating agency fees, municipal advisory fee, paying agent fee, redemption agent fee, printing and miscellaneous fees.

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

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

CONTINUING DISCLOSURE UNDERTAKING

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

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

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

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

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

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

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

Fiscal		Filing Dates		
Year	Filing		Annual Report and/or	
<u>Ending</u>	<u>Due Date</u>	<u>Audit</u>	<u>Operating Data</u>	<u>Budget</u>
12/31/2024	10/1/2025	*	9/26/2025	9/25/2025
12/31/2023	10/1/2024	8/27/2025 ⁽¹⁾	9/30/2024 & 10/3/2024	9/30/2024
12/31/2022	10/2/2023	10/1/2023 ⁽²⁾	10/1/2023	10/1/2023
12/31/2021	10/2/2022	9/29/2022 ⁽³⁾	9/29/2022	9/28/2022
12/31/2020	10/2/2021	9/30/2021 ⁽⁴⁾	9/30/2021	9/30/2021
12/31/2019	10/1/2020	11/16/2020 ⁽⁵⁾	9/29/2020	9/25/2020

⁽¹⁾ A "Failure to Timely File Notice" was filed to EMMA on 10/1/2024.

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

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

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

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

* A "Failure to Timely File Notice" was filed to EMMA on 10/1/2025 by the School District's dissemination agent.

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

LEGAL MATTERS

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

Bond Counsel has not been engaged to verify nor have they independently verified, the accuracy, completeness or truthfulness of any statements, certifications, information or financial statements set forth in the Preliminary Official Statement, dated _____, 2025 (the "Preliminary Official Statement"), or the Official Statement, dated _____, 2025 (the "Official Statement"), or otherwise used in connection with the offering of the Bonds or set forth in or delivered by the School District officials, and similarly expresses no opinion with respect to whether the School District in connection with the offering of the Bonds or the preparation of

the Preliminary Official Statement or the Official Statement, has made any untrue statement of a material fact or omitted to state any material fact necessary in order to make any statement made therein not misleading.

TAX MATTERS

Federal Tax Laws

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

Of particular significance to the Bonds is the determination of whether there are any “available amounts” as calculated for purposes of Section 1.148-6(d)(3)(iii) of the regulations promulgated pursuant to the Code. The School District has covenanted to make that determination at least once each fiscal year of the School District and to cause the redemption of Bonds to the extent of such “available amount.” Failure to make the necessary determination and/or redeem Bonds accordingly, could render amounts treated as interest on the Bonds includable in gross income of the owner thereof for purposes of federal income tax retroactively to the date of issuances of the Bonds. See “REDEMPTION OF BONDS – Extraordinary Mandatory Redemption.”

Other provisions of the Code affect the purchasers and holders of certain state and local government bonds such as the Bonds. Prospective purchasers of the Bonds should be aware that: (i) Section 265 of the Code denies a deduction for interest on (a) indebtedness incurred or continued to purchase or carry certain state or local government bonds or notes, such as the Bonds, or, (b) in the case of a financial institution, that portion of a financial institution’s interest expense allocated to interest on certain state or local government bonds or notes, such as the Bonds, unless the issuer of the state or local government bonds or notes designates the bonds or notes as “qualified tax-exempt obligations” for the purpose and effect contemplated by Section 265(b)(3)(B) of the Code (the School District has not designated the Bonds as “qualified tax exempt obligations” under Section 265(b)(3)(B) of the Code, as such phrase is defined in the Code); (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(1) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest and amounts treated as such on certain state or local government bonds such as the Bonds; (iii) interest on certain state or local government bonds or notes, such as the Bonds, earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (iv) if a Subchapter S corporation has passive investment income (which passive investment income will include interest on state and local government bonds or notes such as the Bonds) exceeding 25% of such Subchapter S corporation’s gross receipts and if such Subchapter S corporation has Subchapter “C” earnings and profits, then interest income derived from state and local government bonds or notes, such as the Bonds, may be subject to federal income tax under Section 1375 of the Code; and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income receipts or accruals of interest on certain state or local government bonds or notes such as the Bonds.

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

No prediction is made whether these provisions will be enacted as proposed or concerning other future legislation which if passed might have the effect on the tax treatment of interest on the Bonds. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation. Bond Counsel will render its opinion as of the issue date and will assume no obligation to update its opinions after the issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. Moreover, the opinion of Bond Counsel is only an opinion and not a warranty or guaranty of the matters discussed. Bond Counsel

has no obligation to provide updated information concerning pending or future legislation. The School District does not have any obligation to provide updated information concerning pending or future legislation. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING ANY PROPOSED FEDERAL TAX LEGISLATION, AS TO WHICH BOND COUNSEL EXPRESSES NO OPINION.

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

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

Tax Exemption

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

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

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

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

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

Regulations, Future Legislation

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

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

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

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

MISCELLANEOUS

Ratings

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

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

Underwriting

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

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

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

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

RBC Capital Markets, LLC has entered into a distribution arrangement with its affiliate City National Securities, Inc. ("CNS"). As part of this arrangement, RBC Capital Markets, LLC may distribute municipal securities to investors through the financial advisor network of CNS. As part of this arrangement, RBC Capital Markets, LLC may compensate CNS for its selling efforts with respect to the Bonds.

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

Paying Agent

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

Municipal Advisor

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

Related Parties

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

Other

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

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

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

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

SCHOOL DISTRICT OF THE CITY OF SCRANTON
Lackawanna County, Pennsylvania

By: _____
President, School Board of Directors

APPENDIX A

SCHOOL DISTRICT OF THE CITY OF SCRANTON

(Lackawanna County, Pennsylvania)

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

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

Introduction

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

Organization and Central Administration

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

The current members of the School Board are listed below:

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

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

Enrollment

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

<u>School Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
2009-10	4,657	4,842	9,499
2010-11	4,726	4,895	9,621
2011-12	4,968	4,758	9,726
2012-13	4,639	4,253	8,892
2013-14	4,965	4,633	9,598
2014-15	5,173	4,831	10,004
2015-16	5,135	4,826	9,961
2016-17	5,102	4,888	9,990
2017-18	5,074	5,060	10,134
2018-19	4,978	5,073	10,051
2019-20	4,870	5,143	10,013
2020-21	4,256	4,992	9,248
2021-22	4,188	5,153	9,341
2022-23	3,540	5,775	9,280
2023-24	4,779	4,515	9,294
2024-25	35,12	5,792	9,304
2025-26*	3,633	5,682	9,315

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

* As of September 22, 2025

Note: The shift in enrollment from elementary to secondary is due to the District assigning all 5th grade students to the intermediate schools. This change began in the 2020-21 school year and was completed in the 2022-23 school year.

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

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

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

Community Eligibility Provision

The Healthy, Hunger-Free Kids Act of 2010 passed by Congress offers school districts the Community Eligibility Provision (“CEP”) as an alternative to reduce the administrative burden of the National School Breakfast and National School Lunch Programs. In order to participate in the CEP, districts must demonstrate that at least 40% of students would automatically qualify for free meals based on participation in other need based programs. A qualifying school must agree to serve free breakfasts and lunches to all students. In exchange, the district is exempt from collecting and processing household applications. All of the District’s schools are eligible to participate in the CEP. The District renewed their participation in CEP for the 2025-26 school year.

Charter Schools

Presently, there is one brick and mortar charter school, Howard Gardner Multiple Intelligence Charter School, located within the boundaries of the School District. Subject to certain priorities and restrictions, students residing within any particular school district in Pennsylvania may be accepted to charter schools (including cyber charter schools) located within or outside of the particular school district. There are ten cyber schools and 2 brick and mortar charter schools, outside the boundaries of the School District, which are attended by students of the School District. For the School District’s calendar year ended December 31, 2020, the School District’s expenses for students enrolled in cyber / charter schools were approximately \$9.9 million. For the School District’s calendar year ended December 31, 2021, the School District’s expenses for students enrolled in cyber / charter schools were approximately \$12.77

million. For the School District's calendar year ended December 31, 2023, the School District's expenses for students enrolled in cyber/charter schools was approximately \$14.4 million. For the School District's calendar year ended December 31, 2024 and the calendar year ending December 31, 2025, the School District estimates expenses for students enrolled in cyber / charter schools to be approximately \$18.0 million and \$17.1 million, respectively.

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

School Building Facilities

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

Building	Original Construction Date	Addition/ Renovation Date(s)	Grades*	Rated Pupil Capacity	2022-23 Enrollment	2023-24 Enrollment	2024-25 Enrollment	2025-26 (as of 9/22/25)
Elementary:								
John Adams	1934	---	K-4	510	189	190	211	237 **
George Bancroft	1928	---	K-4	600	0	0	0	0
John F. Kennedy	1965	2010	K-4	300	317	310	301	308
McNichols Plaza	1980	---	K-4	600	348	335	329	339**
Robert Morris	1895	---	K-4	630	212	207	218	223
Neil Armstrong	1970	---	K-4	930	418	410	444	419
William Prescott	1966	---	K-4	450	229	212	209	225
Charles Summer	1968	---	K-4	496	232	244	243 *	254**
John Whittier	1900	2011	K-4	420	435	453	431	456
Frances Willard	1928	---	K-4	750	360	345	338	368
Isaac Trip	2011	---	K-4	900	684	671	685	708
Scranton Cyber Academy	N/A	N/A	K-4		88	63	66	46
Whither Annex	Leased	---	K-4		0	0	0	0
Monticello	Leased	---	K-4		<u>28</u>	<u>34</u>	<u>37</u>	<u>50</u>
Total					<u>3,540</u>	<u>3,474</u>	<u>3512</u>	<u>3633</u>
Secondary:								
South Scranton	1937	---	5-8	1,142	701	722	742	715
West Scranton	1974	---	5-8	1,200	770	764	744	775
Northeast Scranton	1909	---	5-8	1,442	847	832	786	816
Scranton High	2001	---	7-12	2,100	1,297	1,325	1307	1502
West Scranton High	1934	---	9-12	1,308	982	1,008	1046	1122
Scranton Cyber Academy	N/A	N/A	5-12	N/A	1,011	1,002	1021	643
Lincoln Jackson Academy	Leased	---	6-12		47	33	32	16
Monticello	Leased	---	6-12		103	99	97	81
Lackawanna County Prison					<u>17</u>	<u>24</u>	<u>17</u>	<u>12</u>
Total					<u>5,775</u>	<u>5,809</u>	<u>5792</u>	<u>5682</u>

Source: School District Officials.

*Head Start Pre-k returned in 24-25

**Head Start Pre-k returned in 25-26

Employment and Employee Relations

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

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

Para-professional employees are represented by the Scranton Federation of Teachers. The bargaining unit consists of approximately 140 employees (the “Para-Professional Unit”). On November 30th, 2022 an agreement was approved by the bargaining unit and Board of School Directors for a term commencing on September 1, 2023 and ending on August 31, 2028. The agreement included pay raises and step movement on the newly adopted pay scale.

Pension Program

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

Beginning July 1, 1976, certain revisions were made in the pension program. The Retirement Board, previously under the Department, became an independent agency. The program is still guaranteed by the Commonwealth. Currently, each party to the program contributes a fixed percentage of the employee’s salary. Employees belonging to PSERS prior to July 22, 1983 contribute 5.25% of their salary, and employees who joined PSERS on or after July 22, 1983 contribute 6.25% of their salary. On March 17, 2002, Act 9 created a new membership class that sets the employee contribution rate at 7.50% of the employee’s salary for those employees hired on or after July 1, 2001. Act 9 also provides an option for those employees hired prior to July 1, 2001 to elect a contribution rate of 6.50%, if hired before July 22, 1983, or 7.50% if hired on or after July 22, 1983. Act 120 of 2010 reduces benefits for individuals who become new members of PSERS on or after July 1, 2011. New members will have the option of selecting one of two new classes. The members selecting class T-E will contribute a base rate of 7.5% with “shared risk” contribution levels between 7.5% and 9.5% and a pension multiplier of 2.0%. On December 6, 2019 the PSERS Board of Trustees certified an employer contribution ratio of 34.51% for the annual period beginning July 1, 2020. On December 3, 2020 the PSERS Board of Trustees certified an employer contribution rate of 34.94% for the annual period beginning July 1, 2021. On December 17, 2021 the PSERS Board of Trustees certified an employer contribution rate of 35.26% for the annual period beginning July 1, 2022. On December 16, 2022 the PSERS Board of Trustees certified an employer contribution rate of 34% for the annual period beginning July 1, 2023. On December 15, 2023 the PSERS Board of Trustees certified an employer contribution rate of 33.9% for the annual period beginning July 1, 2024.

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

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

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

The ECR increased to 34.0% for the annual period beginning July 1, 2025. For more information, visit the PSERS website at <https://www.pa.gov/agencies/psers> which is not incorporated by specific reference into this Official Statement.

The School District's management does not anticipate that Act 5, enacted in June 2017, will have any material impact on the School District's budget for the remainder of the current fiscal year ending December 31, 2025 or the budgeting process for the subsequent fiscal year ending December 31, 2026. Since Act 5 neither creates any "fresh start" for pension assets or liabilities, nor mandates any changes in the pension benefits for the School District's current retirees or current employees, the School District's management does not expect Act 5 to materially impact the School District's pension funding obligations during the next several years. As of the fourth quarter 2022, the School District has not observed any material amount of School District employees electing for new plan options for Act 5 and is uncertain regarding the number of School District employees may make any such election in the future.

Other Post-Employment Benefits

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

SCHOOL DISTRICT FINANCIAL SUMMARY

Introduction

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

Budgeting Process under the Taxpayer Relief Act

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

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

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

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

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

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

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

Reporting

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

Summary of Financial Information

A summary of the General Fund Balance Sheet and Changes in Fund Balances is presented below for the audited fiscal years ended December 31, 2019 to December 31, 2023.

Fiscal Year Ending 12/31:	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>Assets:</u>					
Cash and Cash Equivalents	\$9,091,171	\$20,390,875	\$29,254,441	\$29,765,530	\$40,300,899
Taxes Receivable	9,374,928	15,725,039	13,302,188	12,095,236	18,337,826
Other Receivables	7,400	25,000	834,587	394,696	73,000
Intergovernmental Receivable	11,321,308	10,613,678	11,802,663	15,550,310	12,400,789
Due from Other Funds	<u>97,000</u>	<u>97,000</u>	<u>97,000</u>	<u>700,075</u>	<u>583,831</u>
Total Assets	\$29,891,807	\$46,955,584	\$55,290,879	\$58,505,847	\$71,696,345
<u>Liabilities:</u>					
Accounts Payable and Accrued Liabilities	\$9,541,343	\$11,023,005	\$6,425,490	\$5,643,385	\$5,666,607
Payroll Payable & Withholding	2,727,732	0	8,674,740	8,758,564	8,918,476
Due to Other Funds	3,279,772	90,611	363,250	2,092,639	8,400,843
Unearned Revenue	0	0	0	0	9,480,512
Other Liabilities	<u>0</u>	<u>0</u>	<u>902,201</u>	<u>902,201</u>	<u>902,201</u>
Total Liabilities	\$15,548,847	\$11,113,616	\$16,365,681	\$17,396,789	\$33,728,639
<u>Deferred Inflows of Resources:</u>					
Grants Received in Advance	5,325,971	9,191,327	8,672,208	10,663,768	0
Deferred Revenue	7,581,728	14,274,999	13,302,188	12,095,236	16,732,915
<u>Fund Balances:</u>					
Unreserved – Undesignated	\$1,435,261	\$12,375,642	\$16,950,802	\$15,850,054	\$18,734,791
Reserved – Designated	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,500,000</u>	<u>2,500,000</u>
Total Fund Balances	<u>\$1,435,261</u>	<u>\$12,375,642</u>	<u>\$16,950,802</u>	<u>\$18,350,054</u>	<u>\$21,234,791</u>
Total Liabilities and Fund Balances	\$29,891,807	\$46,955,584	\$55,290,879	\$58,505,847	\$71,696,345
Beginning Fund Balance	(\$468,711)	\$1,435,261	\$12,375,642	\$16,950,802	\$18,350,054
Net Revenue (Deficit)	1,903,972	10,940,381	4,575,160	1,399,252	2,884,737
Ending Fund Balance	<u>\$1,435,261</u>	<u>\$12,375,642</u>	<u>\$16,950,802</u>	<u>\$18,350,054</u>	<u>\$21,234,791</u>

Source: School District Annual Financial Reports for fiscal years 2019 to 2023, inclusive.

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

Fiscal Year Ending 12/31:	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenue:					
Local Sources:	\$67,725,643	\$68,532,072	\$71,053,105	\$72,876,279	\$72,351,892
State Sources:	86,565,658	88,632,357	89,047,135	100,412,612	114,786,309
Federal Sources:	<u>9,233,808</u>	<u>9,871,450</u>	<u>14,265,377</u>	<u>22,220,709</u>	<u>32,613,310</u>
Total Revenue	\$163,525,109	\$167,035,879	\$174,365,617	\$195,509,600	\$219,751,511
Expenditures:					
Instruction	\$102,751,245	\$99,936,370	\$109,582,212	\$120,824,779	\$124,914,553
Support Services	40,076,561	36,439,337	39,612,478	45,461,975	49,573,737
Non-instructional Services	1,509,862	1,201,277	1,038,108	1,419,652	1,503,347
Facilities	0	0	1,587,727	7,206,654	14,054,438
Debt Service	<u>16,264,633</u>	<u>17,714,600</u>	<u>17,165,771</u>	<u>17,743,189</u>	<u>19,046,255</u>
Total Expenditures	<u>\$160,602,301</u>	<u>\$155,291,584</u>	<u>\$168,986,296</u>	<u>\$192,656,249</u>	<u>\$209,092,330</u>
Surplus (Deficit) Revenue					
Over Expenditures	\$2,922,808	\$11,744,295	\$5,379,321	\$2,853,351	\$10,659,181
Other Financing Sources (Uses):					
Special Ed. Settlements	(\$295,572)	\$0	\$0	\$0	\$0
Refund of Prior Years Revenues	0	(374,914)	(345,234)	(980,000)	(954,773)
Sale of Capital Assets	0	51,000	0	0	0
Proceeds from Leases	0	0	0	0	110,329
Operating Transfers In (Out)*	<u>(723,264)</u>	<u>(480,000)</u>	<u>(458,927)</u>	<u>(474,099)</u>	<u>(6,930,000)</u>
Total Other Financing Sources (Uses)	<u>(\$1,018,836)</u>	<u>(\$803,914)</u>	<u>(\$804,161)</u>	<u>(\$1,454,099)</u>	<u>(\$7,774,444)</u>
Net Revenue (Deficit)	<u>\$1,903,972</u>	<u>\$10,940,381</u>	<u>\$4,575,169</u>	<u>\$1,399,252</u>	<u>\$2,884,737</u>

Source: School District Annual Financial Reports for fiscal years 2019 to 2023, inclusive.

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

2024 and 2025 Budget

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

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

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

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

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

Source: School District officials.

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

Total County Debt (1)	\$230,871,185
Total City Debt (1)	52,673,915
School District Assessed Value (2)	378,201,133
County Assessed Value (2)	1,589,682,382
% of County Debt (3)	23.79%
% of City Debt (3)	100.00%
Share of County Debt (3)	\$54,926,534
Share of City Debt (3)	<u>52,673,915</u>
Total Overlapping Debt	\$107,600,449
Total Gross Debt (4)	<u>227,245,000</u>
Total Gross and Overlapping Debt (4)	\$334,845,449
Population	76,074
Market Value (2)	\$3,273,101,863
Gross Debt Ratios (4)	
Per Capita Gross Direct Debt	\$2,987.16
Per Capita Direct and Overlapping Gross Debt	\$4,401.58
% Gross Direct Debt to Market Value	6.94%
% Gross Direct and Overlapping Debt to Market Value	10.23%

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

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

Total Revenue for 2022	\$182,412,789
Total Revenue for 2023	196,000,302
Total Revenue for 2024 (unaudited)	<u>209,107,962</u>
Total Revenue Past Three Years	\$587,521,053
Annual Arithmetic Average (Borrowing Base)	\$195,840,351

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

	<u>Legal Limit</u>	<u>Gross Direct Debt*</u>	<u>Remaining Borrowing Capacity</u>
Net Non-electoral Debt and Lease Rental Debt Limit 225% of Borrowing Base	\$440,640,790	\$227,245,000	\$213,395,790

* Estimated, subject to change.

TAXES AND TAXING POWERS OF THE SCHOOL DISTRICT

General

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

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

TAX LEVY TRENDS

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

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

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

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

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

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

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

Real Property Tax

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

Year	Market Value	Assessed Value	Ratio
2015.....	2,273,875,000	395,717,763	17.40%
2016.....	2,304,080,217	392,363,291	17.03%
2017.....	2,286,978,457	388,299,190	16.98%
2018.....	2,286,978,457	388,299,190	16.98%
2019.....	2,365,107,735	387,265,051	16.37%
2020.....	2,481,348,019	386,022,528	15.56%
2021.....	2,471,521,057	384,467,087	15.56%
2022.....	2,681,853,922	373,410,912	13.92%
2023.....	2,732,549,254	377,408,423	13.81%
2024.....	3,273,101,863	378,201,133	11.55%

Source: Pennsylvania State Tax Equalization Board.

<u>Year</u>	<u>Assessed Valuation</u>	<u>Mills</u>	<u>Adjusted Levy*</u>	<u>Current Collections</u>	<u>Current Year Collections as % of Total Levy</u>	<u>Total Collections</u>	<u>Total Collections as % of Total Levy</u>
2015	\$398,421,682	120.40	\$47,969,971	\$37,233,288	77.62%	\$41,123,304	85.73%
2016	392,905,583	123.77	48,629,924	38,130,216	78.41%	42,594,352	87.59%
2017	388,713,644	123.77	43,739,925	37,370,513	85.44%	41,677,691	95.29%
2018	387,756,703	128.47	45,442,679	39,131,852	86.11%	43,603,870	95.95%
2019	388,713,644	133.09	47,363,359	40,781,030	86.10%	45,411,319	95.88%
2020	384,865,639	137.62	48,612,513	42,205,381	86.82%	48,015,661	98.77%
2021	383,466,255	142.99	50,452,370	45,248,900	89.69%	50,453,873	100.00%
2022	381,848,125	142.99	50,225,617	44,766,173	89.13%	49,097,568	97.75%
2023	381,563,173	147.85	50,900,846	44,809,210	88.03%	49,419,302	97.09%
2024	379,473,740	147.85	50,581,963	45,170,571	89.30%	48,872,109	96.62%

Source: School District Officials

*Adjusted levy is assessed value multiplied by mills less the State Property Tax rebate funding.

Other Taxes

Earned Income Tax. The School District levies a tax of 1.00% on earned income of residents. In 2023, the audited collected portion of this tax yielded \$14,087,393 or approximately 6.41% of total revenue.

Local Services Tax. (a.k.a. *Emergency and Municipal Services Tax and Occupational Privilege Tax*). A tax of \$5.00 is levied on each person with an occupation. In 2023, the audited collected portion of this tax yielded \$165,139 or less than 1% of total revenue.

Real Estate Transfer. The School District levies a tax of 0.5% of the value of real estate transfers. In 2023, the audited collected portion of this tax yielded \$1,553,453 or less than 1% of total revenue.

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

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

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

The School District received \$5,172,413 (audited), or 2.35% of total revenue in 2022 from the mercantile wholesale, mercantile retail and business privilege taxes, taken together.

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

Ten Largest Taxpayers

The ten largest real property taxpayers and their assessed values at September 30, 2025 are shown below.

<u>Taxpayer</u>	<u>Assessed Value</u>
Scranton Hospital Company LLC	\$5,151,346
PR Financing LMTD Partnership	3,769,120
1 Fleet Holdings LLC	3,493,436
Scranton Quincy Hospital Co	2,435,650
Geisinger Clinic % Ernst A	2,325,000
Stauffer Industrial Owner LP	2,117,808
Pennsylvania-American Water Co	1,682,000
Commonwealth Charter Academy Ch School	1,661,920
Steamtown 300 LLC	1,584,000
Total	<u>\$26,428,976</u>

Total as a % of total assessed value 6.96%

Source: School District Officials

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APPENDIX B
REGIONAL DEMOGRAPHIC AND ECONOMIC INFORMATION

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REGIONAL DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Population

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

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

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

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

Age Composition

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

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

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

Income

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

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

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

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

Housing Characteristics

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

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

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

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

Occupied Housing

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

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

Medical Facilities

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

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

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

Transportation

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

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

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

Utilities and Communications

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

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

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

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

Higher Education

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

Recreation

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

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ECONOMY

Classification of Employment by Industry

The following is a breakdown of employment in the Scranton, Wilkes-Barre, Hazleton Metropolitan Statistical Area for July 2025 from the Pennsylvania Department of Labor & Industry.

SCRANTON-WILKES-BARRE-HAZLETON METROPOLITAN STATISTICAL AREA (Lackawanna, Luzerne, and Wyoming counties) July 2025 NONFARM JOBS - NOT SEASONALLY ADJUSTED						
ESTABLISHMENT DATA	Industry Employment				Net Change From:	
	Jul 2025	Jun 2025	May 2025	Jul 2024	Jun 2025	Jul 2024
TOTAL NONFARM	270,000	270,800	271,300	265,500	-800	4,500
TOTAL PRIVATE	242,000	241,900	242,000	237,700	100	4,300
GOODS-PRODUCING	41,700	41,500	41,100	41,600	200	100
Mining, Logging, and Construction	11,000	10,900	10,700	11,200	100	-200
Manufacturing	30,700	30,600	30,400	30,400	100	300
Durable Goods	13,700	13,700	13,600	13,700	0	0
Non-Durable Goods	17,000	16,900	16,800	16,700	100	300
SERVICE-PROVIDING	228,300	229,300	230,200	223,900	-1,000	4,400
PRIVATE SERVICE-PROVIDING	200,300	200,400	200,900	196,100	-100	4,200
Trade, Transportation, and Utilities	67,900	67,800	67,700	67,200	100	700
Wholesale Trade	10,100	10,200	10,100	10,200	-100	-100
Retail Trade	29,000	28,800	28,600	28,600	200	400
Grocery and convenience retailers	6,300	6,300	6,200	6,400	0	-100
General merchandise retailers	5,700	5,600	5,500	5,500	100	200
Transportation, Warehousing, and Utilities	28,800	28,800	29,000	28,400	0	400
Information	2,900	2,800	2,800	2,800	100	100
Financial Activities	11,800	11,700	11,600	11,700	100	100
Professional and Business Services	28,700	28,800	29,200	29,000	-100	-300
Education and Health Services	55,600	55,600	56,700	52,800	0	2,800
Educational services	7,800	8,200	9,500	7,400	-400	400
Health care and social assistance	47,800	47,400	47,200	45,400	400	2,400
Hospitals	8,300	8,300	8,200	8,000	0	300
Leisure and Hospitality	23,900	24,300	23,600	23,500	-400	400
Accommodation and food services	20,500	20,800	20,400	20,000	-300	500
Food services and drinking places	18,100	18,400	18,100	17,600	-300	500
Other Services	9,500	9,400	9,300	9,100	100	400
Government	28,000	28,900	29,300	27,800	-900	200
Federal Government	4,200	4,200	4,200	4,600	0	-400
State Government	5,700	5,600	5,700	5,500	100	200
Local Government	18,100	19,100	19,400	17,700	-1,000	400
Local government educational services	10,400	11,400	11,900	10,000	-1,000	400
Local government excluding educational services	7,700	7,700	7,500	7,700	0	0
Data benchmarked to March 2024	***Data changes of 100 may be due to rounding***					

Trends in Employment and Unemployment – Lackawanna County

Year	County Civilian Labor Force	Total Employment	Percentage Unemployed	
			County	Pennsylvania
2015	106,500	100,100	5.9	5.4
2016	107,100	101,100	5.6	5.3
2017	106,900	101,300	5.2	5.0
2018	106,600	101,600	4.7	4.4
2019	106,500	101,400	4.8	4.3
2020	105,400	95,500	9.4	8.9
2021	103,700	97,100	6.3	5.9
2022	104,900	100,300	4.4	4.1
2023	105,500	101,600	3.7	3.4
2024	105,900	101,700	3.9	3.6
2025 ^(P)	105,700	100,500	4.9	4.6

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

(P) Preliminary, as of July 2025

Major Employers in Lackawanna County

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

Source: PA Department of Labor and Industry, Lackawanna County Profile Q1 of 2025

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Appendix C

School District Audited Financial Statements - December 31, 2023

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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 cursive script that reads "CliftonLarsonAllen LLP".

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

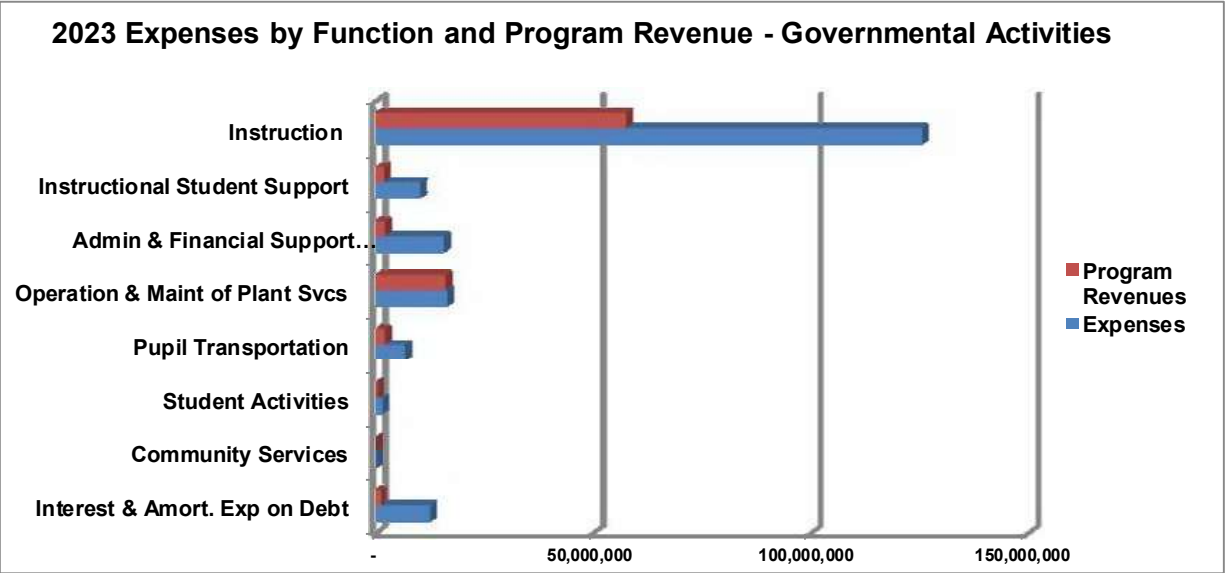
The following table presents condensed information for the Statement of Activities of the District for 2023 and 2022:

	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>

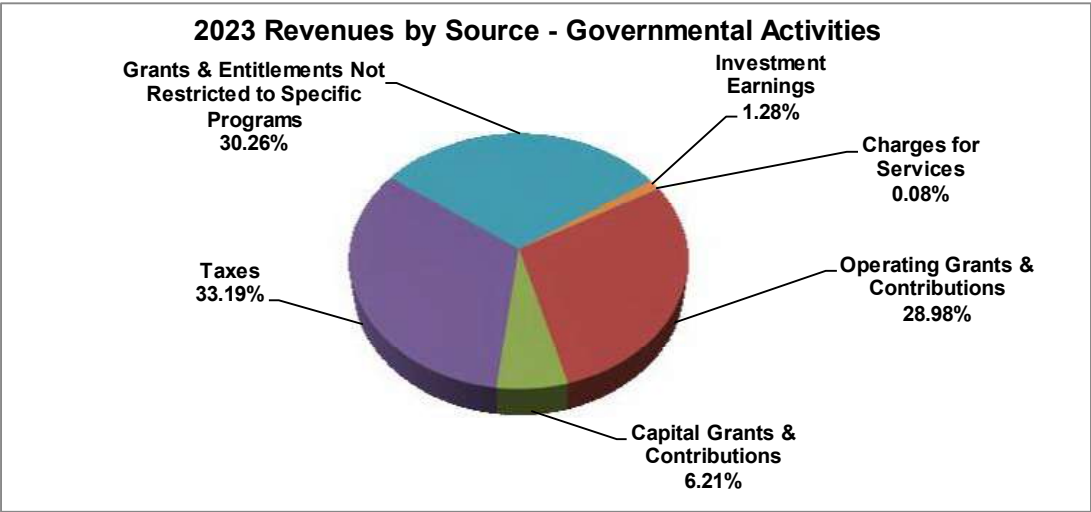
Overall, the District's financial position continues to improve but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have the potential to offset these gains. Management of the District continues to aggressively implement cost efficiencies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

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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.

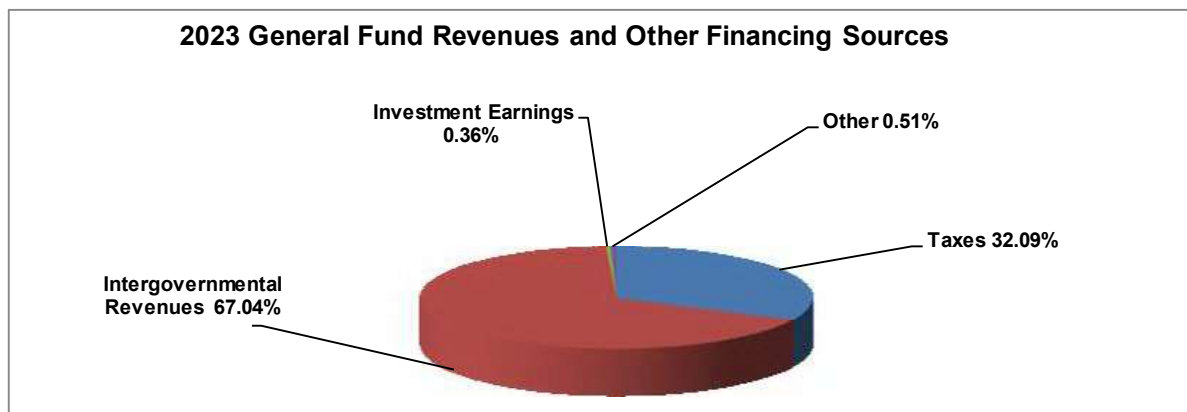
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	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>
General fund	\$ 21,234,791	\$ 18,350,054	\$ 2,884,737
Capital projects fund	33,773,330	23,786,169	9,987,161
Debt service fund	<u>343,012</u>	<u>323,161</u>	<u>19,851</u>
	<u>\$ 55,351,133</u>	<u>\$ 42,459,384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

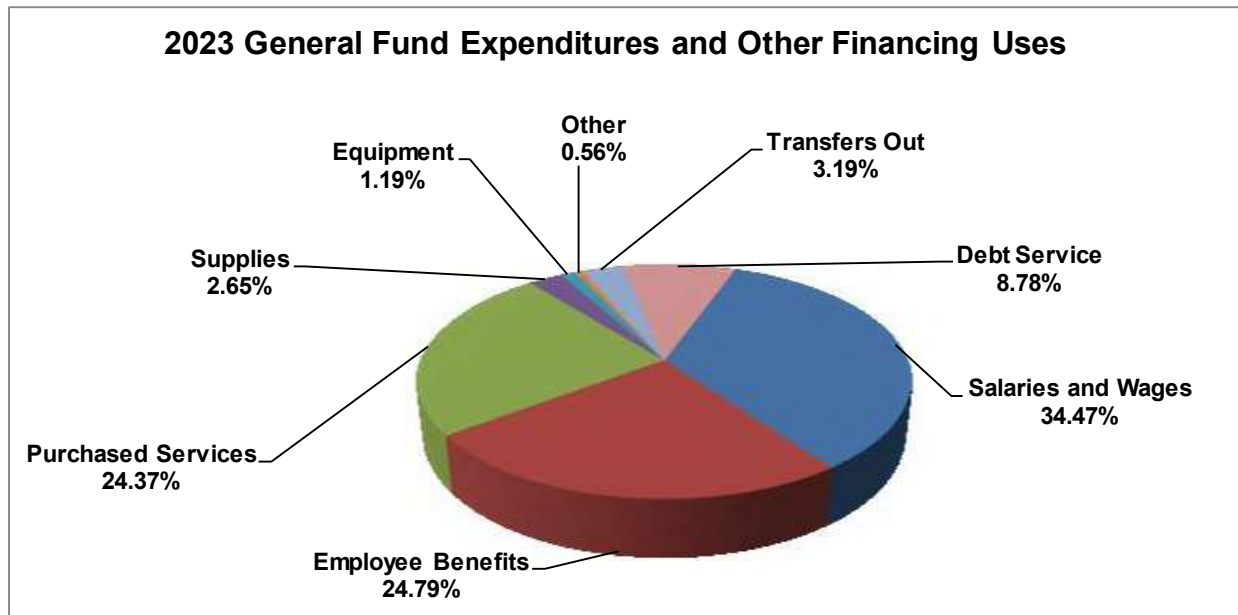
	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes revenues	\$ 70,538,245	\$ 71,229,985	\$ (691,740)	-0.97%
Intergovernmental revenues	147,399,620	122,633,321	24,766,299	20.20%
Investment earnings	800,598	152,428	648,170	425.23%
Other	<u>1,123,377</u>	<u>1,493,866</u>	<u>(370,489)</u>	<u>-24.80%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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	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.	<u>(811,552)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (259,273,407)</u>

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	\$ 560,736	\$ -	\$ 560,736	\$ 507,573	\$ -	\$ -

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
December 31, 2023

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
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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.

The School District of the City of Scranton
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
December 31, 2023

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.

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

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>

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

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	<u>146</u>	<u>3</u>	<u>149</u>
	<u>\$ 535</u>	<u>\$ 13</u>	<u>\$ 548</u>

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

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).

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

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
Notes to Financial Statements
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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
Notes to Financial Statements
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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).

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

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

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

The School District of the City of Scranton
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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%

The School District of the City of Scranton
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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
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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
December 31, 2023

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.

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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**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
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	2017
District's proportion of the net OPEB liability	0.4566%	0.4513%	0.4116%	0.4475%	0.4558%	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	\$ 10,672,000
District's covered payroll	\$ 67,959,317	\$ 66,366,747	\$ 58,345,311	\$ 62,807,048	\$ 62,860,310	\$ 66,772,877
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%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	7.22%	6.86%	5.30%	5.69%	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	\$ 471,268	\$ 526,997	\$ 478,958	\$ 526,810	\$ 552,215	\$ 554,000	\$ 579,000
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 to present a ten-year trend is available.

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OTHER INFORMATION

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

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
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

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Total Received for Year	Accrued (Deferred) Revenue January 1, 2023	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue December 31, 2023	Passed Through to Subrecipients
<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 aTISI 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

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Total Received for Year	Accrued (Deferred) Revenue January 1, 2023	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue December 31, 2023	Passed Through to Subrecipients
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) (ALNs #84.027 and #84.173)					\$ 2,284,616	\$ 2,271,250	\$ 2,193,254	\$ 2,193,254	\$ 2,179,888	\$ -
Child Nutrition Cluster (ALNs #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 black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

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
10.555
10.559
10.582

Child Nutrition Cluster:
Breakfast Program
National School Lunch Program
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



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

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Appendix D

Proposed Form of Opinion of Bond Counsel

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Stevens & Lee

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

_____, 2025

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

TO: THE REGISTERED OWNERS OF THE ABOVE-CAPTIONED BONDS

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

The Bonds are being issued to provide funds for a project consisting of the following: (1) currently refunding the School District’s outstanding General Obligation Bonds, Series C of 2017; (2) currently refunding the School District’s outstanding General Obligation Notes, Series D of 2017; and (3) paying the costs and expenses of issuance of the Bonds (collectively, the “Project”).

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

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

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

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

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

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

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

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

- A. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other documents, agreements, instruments, reports and certificates furnished to us at or in connection with the issuance of the Bonds (including, without limitation, certificates and agreements by the School District as to the expected use of proceeds of the Bonds, and as to its continuing compliance with Sections 148 and 141 of the Code to assure that the Bonds do not become “arbitrage bonds” or “private activity bonds”) without undertaking to verify the same by independent investigation. We have also relied upon the accuracy of the representations and warranties and the performance of the covenants and agreements of the School District set forth in the Resolution and the various certificates and other agreements executed and delivered at or in connection with the closing for the Bonds held this day.
- B. In providing the opinions set forth in paragraphs 2 and 3 above, we have relied, without independent investigation, on the Solicitor’s Opinion.
- C. In providing the opinion set forth in paragraph 4, above, we have assumed continuing compliance by the School District with the requirements of the Code

and applicable regulations thereunder which must be met subsequent to the issuance of the Bonds in order that the interest thereon be and remain excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

- D. Except as specifically set forth above, we express no opinion regarding other state or federal income tax consequences arising with respect to the Bonds, including, without limitation, the treatment for federal income tax purposes of gain or loss, if any, upon the sale, redemption, or other disposition of the Bonds prior to maturity of the Bonds subject to original issue discount and the effect, if any, of certain other provisions of state law or the Code which could result in collateral state or federal income tax consequences to certain investors as a result of adjustments in the computation of tax liability dependent on tax-exempt interest.
- E. We have not been engaged to verify, nor have we independently verified, the accuracy, completeness or truthfulness of any statements, certifications, information or financial statements set forth in the Preliminary Official Statement, dated _____, 2025 (the “Preliminary Official Statement”), or the Official Statement, dated _____, 2025 (the “Official Statement”), or otherwise used in connection with the offer and sale of the Bonds or set forth in or delivered by the School District officials.
- F. We express no opinion with respect to whether the School District, in connection with the sale of the Bonds or the preparation of the Preliminary Official Statement or the Official Statement, has made any untrue statement of a material fact or omitted to state any material fact necessary to make any statements made in connection therewith, in light of the circumstances under which they were made, not misleading.
- G. We have not verified, and express no opinion as to the accuracy of, any “CUSIP” identification number which may be printed on any Bond. We have also assumed the genuineness of the signatures appearing upon all the certificates, documents and instruments executed and delivered at or in connection with the closing for the Bonds held this day.
- H. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof.

Stevens & Lee

_____, 2025
Page 5

Our engagement as Bond Counsel has concluded with the issuance of the Bonds and we disclaim any obligation to update this letter.

STEVENS & LEE, P.C.

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Appendix E

Proposed Form of Continuing Disclosure Certificate

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\$ _____
AGGREGATE PRINCIPAL AMOUNT
SCHOOL DISTRICT OF THE CITY OF SCRANTON
LACKAWANNA COUNTY, PENNSYLVANIA
GENERAL OBLIGATION BONDS
SERIES A OF 2025

CONTINUING DISCLOSURE CERTIFICATE

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

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

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

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

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

"Commission" shall mean the Securities and Exchange Commission.

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

"EMMA" shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule as further described in Section 13 hereof.

"Filing" shall mean, as applicable, any Annual Report or Listed Event filing or any other notice or report made public under this Disclosure Certificate made with each

NRMSIR or the MSRB and the SID, if any, together with a completed copy of a cover sheet in such form acceptable to each NRMSIR, the MSRB or SID, if applicable, describing the event by checking the box in said form when filing pursuant to the pertinent sections of this Disclosure Certificate.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto for purposes of the Rule. Currently, MSRB's address, phone number and fax number for purposes of the Rule are:

Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005
Phone: 202-838-1500
Fax: 202-898-1500

"NRMSIR" shall mean any Nationally Recognized Municipal Securities Information Repository recognized for purposes of the Rule and the MSRB, as reflected on the website of the Securities and Exchange Commission at www.sec.gov. **As of the date of this Disclosure Certificate, the sole NRMSIR shall be the MSRB, through the operation of EMMA, as provided in Section 13 hereof.**

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each NRMSIR and the SID, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SID" shall mean any public or private state information depository or entity designated by the Commonwealth of Pennsylvania as a state information depository for the purpose of the Rule, if any. As of the date of this Disclosure Certificate, no SID has been designated.

SECTION 3. Provision of Annual Reports.

(a) The School District shall not later than 275 days after the end of each fiscal year of the School District, commencing with the fiscal year ending December 31, 2025, provide directly or through the Dissemination Agent to each Repository an Annual Report

which is consistent with the requirements of Section 4 of this Disclosure Certificate. In connection therewith, not later than fifteen (15) Business Days prior to said date, the School District shall provide the Annual Report to the Dissemination Agent (if one has been designated by the School District under this Disclosure Certificate). The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the School District may be submitted separately from the remainder of the Annual Report when such audited financial statements are available. If the audited financial statements are not submitted as part of the Annual Filing to each Repository pursuant to this Section 3(a), the School District shall provide to each Repository such audited financial statements when they are available to the School District.

(b) If the School District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the School District shall send or cause the Dissemination Agent to send a notice to each NRMSIR and the SID in substantially the form attached as Exhibit A.

(c) The School District or the Dissemination Agent, if applicable, shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each NRMSIR and the SID, if any; and

(ii) if a Dissemination Agent has been designated hereunder, file a report with the School District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

(iii) The School District shall promptly file a notice of any change in its fiscal year and the new annual filing date with each NRMSIR and the SID.

(d) If the Dissemination Agent does not receive the Annual Report from the School District by the fifteenth Business Day specified in Section 3(a) above, the Dissemination Agent shall provide a written reminder notice to the School District with respect to the School District's obligations under Section 3(a) above no later than five (5) Business Days after such fifteenth Business Day.

SECTION 4. Content of Annual Reports. The School District's Annual Report shall contain or incorporate by reference the following:

- (i) the School District's annual audited financial statements, which shall be prepared in conformity with generally accepted accounting principles consistently applied as applicable to school districts of the Commonwealth of Pennsylvania;
- (ii) a summary of the budget for the School District for the new fiscal year (the "Summary of Budget"), when available;

(iii) certain annual operating data as follows (the “Annual Operating Data”):

- (a.) the assessed value and aggregate market value of all taxable real estate for the current fiscal year;
- (b.) the taxes and millage rates imposed for the current fiscal year;
- (c.) the real property tax collection results for the most recent fiscal year, including (1) the real estate tax levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year’s levy and as an aggregate dollar amount), (3) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year’s levy and as an aggregate dollar amount);
- (d.) a list of the ten (10) largest real estate taxpayers and, for each, the total assessed value of real estate for the current fiscal year;
- (e.) pupil enrollment figures, including enrollment at the end of the most recent fiscal year, current enrollment and projected enrollment for the beginning of the next fiscal year, including a breakdown between elementary and secondary enrollment (to the extent reasonably feasible); and
- (f.) the School District’s full-time employee figure under “Employment and Employee Relations” and financial information under “Pension Program” in APPENDIX A to the Official Statement relating to the Bonds, dated _____, 2025, to the extent not provided as part of the School District’s annual financial statements.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the School District or related public entities, which have been submitted to each of the Repositories or the Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The School District shall clearly identify each such other document so incorporated by reference. The School District reserves the right to modify from time-to-time specific types of information provided hereunder or the format of the presentation of such information, to the extent necessary or appropriate; provided, however, that any such modification will be done in a manner consistent with the Rule.

SECTION 5. Reporting of Significant Events.

(a) The occurrence of any of the following events with respect to a particular series of the Bonds, constitutes a “Listed Event” only with respect to such series of the

Bonds. This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

- (i) Principal and interest payment delinquencies;
- (ii) Nonpayment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of securities holders, if material;
- (viii) Bond calls, if material, and tender offers for the Bonds;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar events of the School District;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or paying agent or the change of name of a trustee or paying agent, if material;
- (xv) Incurrence of a Financial Obligation of the School District, if material, or agreement to covenants, events of default, remedies, priority rights, or

other similar terms of a Financial Obligation of the School District, any of which affect security holders, if material;

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the School District, any of which reflect financial difficulties; and

(xvii) Failure to provide annual financial information as required.

(b) Whenever the School District obtains knowledge of the occurrence of a Listed Event, the School District shall as soon as possible (with respect to those Listed Events where a determination of materiality by the School District is applicable) determine if such event would constitute material information for Holders of Bonds under applicable federal securities laws.

(c) If (i) a Determination of materiality by the School District is not relevant to the obligation to give notice of a Listed Event or (ii) the School District determines (with respect to those Listed Events where a determination of materiality by the School District is applicable) that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the School District shall promptly file in a timely manner, not in excess of ten (10) business days after the occurrence of the Listed Event, or cause the Dissemination Agent to so file (if a Dissemination Agent has been designated hereunder) a notice of such occurrence with each NRMSIR and the SID, if any, with a copy to the Paying Agent.

(d) For purposes of the Listed Events in Section 5(a)(xii), the School District and the Dissemination Agent acknowledge the following interpretive note which the Commission has set forth in the Rule: *"Note: for the purposes of the event identified in subparagraph (b)(5)(i)(C)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person;"*

SECTION 6. Termination of Reporting Obligation. The School District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

In the event that any person or entity subsequent to the execution hereof becomes an "obligated person," as such term is defined in the Rule, with respect to the Bonds, the School District covenants to use its best effort to cause such obligated person to enter into a written

undertaking to comply with the provisions of the Rule or to cause this Disclosure Certificate to be amended and to cause such obligated person to join in the execution of such amendment.

SECTION 7. Dissemination Agent. The School District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The School District shall cause the Dissemination Agent appointed hereunder and any successors to execute and deliver an acknowledgment of acceptance of the designation and duties of Dissemination Agent under this Disclosure Statement.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the School District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, as well as any change in circumstances.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the School District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the School District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the School District shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the School District to comply with any provision of this Disclosure Certificate, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Bonds or the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the School District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent, if other than the School District. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the School District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the School District

under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Undertaking with Respect to Certain Procedures and Policies. The School District agrees to begin the process of establishing internal policies and procedures for the purpose of continuing disclosure compliance. Without intending to preclude the adoption of other necessary or useful policies and procedures, a single School District official will be designated with ultimate responsibility for continuing disclosure compliance and will oversee the process of informing and training appropriate deputies and other School District employees with respect to the School District's continuing disclosure undertakings.

SECTION 13. EMMA. Filings shall be made to the continuing disclosure service portal provided through EMMA as provided at <http://www.emma.msrb.org>, or any similar system that is acceptable to the Commission.

SECTION 14. Alternative Filing. Notwithstanding the other provisions of this Disclosure Certificate, any filing under this Disclosure Certificate, and any additional supplements hereto, may be made with such depositories and using such electronic filing systems as may be approved by the United States Securities and Exchange Commission (in lieu of the procedures currently in this Disclosure Certificate).

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SECTION 15. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the School District, the Paying Agent, the Dissemination Agent (if any), the Participating Underwriter, and the Holders from time to time of the Bonds and shall create no rights in any other person or entity.

SCHOOL DISTRICT OF THE CITY OF
SCRANTON
Lackawanna County, Pennsylvania

By: _____
President

Attest: _____
Secretary

Date: _____, 2025

EXHIBIT A¹

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: School District of the City of Scranton
Lackawanna County, Pennsylvania

Name of Bond Issue: School District of the City of Scranton, Lackawanna County,
Pennsylvania, \$ _____ aggregate principal amount General
Obligation Bonds, Series A of 2025 (the "Bonds")

Date of Issuance: _____, 2025

NOTICE IS HEREBY GIVEN that the School District of the City of Scranton,
Lackawanna County, Pennsylvania (the "School District"), has not provided an Annual Report
with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure
Certificate, dated _____, 2025, executed by the School District. The School District
anticipates that the Annual Report will be filed by _____.

Dated: _____

SCHOOL DISTRICT OF THE CITY OF
SCRANTON, LACKAWANNA COUNTY,
PENNSYLVANIA, [OR DISSEMINATION
AGENT ON BEHALF OF SCHOOL DISTRICT
OF THE CITY OF SCRANTON, LACKAWANNA
COUNTY, PENNSYLVANIA]

cc: Paying Agent

¹ The substantive content of this notice shall be provided in any applicable notice filing.
Appropriate modifications may be made to accommodate the electronic submission format
requirements of the EMMA system or other successor electronic filing system.