



COMMONWEALTH OF PENNSYLVANIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2022

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Commonwealth of Pennsylvania

Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2022

Tom Wolf, Governor



**Prepared By:
Office of the Budget**

***H. Benjamin Lukens, Jr.
Acting Secretary***

***Brian Lyman, CPA
Chief Accounting Officer***

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**Commonwealth of Pennsylvania
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022**

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COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR

H. Benjamin Lukens, Jr.
ACTING SECRETARY
GOVERNOR'S OFFICE OF THE BUDGET

December 9, 2022

To the Honorable Governor, Lieutenant Governor, Members of the General Assembly, and Citizens of the Commonwealth of Pennsylvania:

We are pleased to present this Annual Comprehensive Financial Report (ACFR) of the Commonwealth of Pennsylvania (Commonwealth) as of and for the fiscal year ended June 30, 2022. The Office of the Budget, Office of Comptroller Operations, prepared this report, which includes the Basic Financial Statements, pursuant to the power vested in the Governor under Section 701 of the Administrative Code and delegated to the Secretary of the Budget by Executive Order No. 1984-3, dated October 11, 1984.

The Basic Financial Statements were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). We believe the financial statements are fairly stated in all material respects and that they are presented in a manner designed to fairly report the Commonwealth's financial position, results of operations, and changes in net position/fund balances. All disclosures necessary to enable the Governor, the members of the General Assembly, the public, and the financial community to fully understand the Commonwealth's operations and financial affairs have been included. Responsibility for the completeness and fairness of the presentation, including all disclosures, rests with the Commonwealth of Pennsylvania, Office of the Budget, Office of Comptroller Operations. The Commonwealth relies on its comprehensive framework of internal control in the preparation of Basic Financial Statements. The Commonwealth has established a cost-effective system of internal controls that is however, subject to inherent limitations. As is in any system of internal controls, there is reasonable, but not absolute, assurance as to the effectiveness of the internal control system.

The Commonwealth's June 30, 2022 Basic Financial Statements have been jointly audited by the Department of the Auditor General and CliftonLarsonAllen LLP, an independent public accounting firm. The independent auditors' unmodified opinion is included in the beginning of the Financial Section of this ACFR. The auditors' opinion provides a reasonable basis for users to rely on the information that is included in the Basic Financial Statements.

Management's Discussion and Analysis (MD&A), which precedes the June 30, 2022 Basic Financial Statements, provides an overview of the Commonwealth's financial position and activities thus helping readers to understand the Basic Financial Statements. This section immediately follows the auditors' opinion. In addition to the MD&A and Basic Financial Statements, this ACFR includes: budgetary comparison schedules; combining fund financial statements; other supporting schedules; narrative information describing individual funds; and statistical tables presenting financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information as reported over the last ten fiscal years.

PROFILE OF THE GOVERNMENT

Pennsylvania, also known as the Keystone State, is one of only four Commonwealths in the United States. Pennsylvania earns the title of Commonwealth as a result of its organization by the common consent of the people during colonial times.

The Commonwealth of Pennsylvania provides a wide range of services to enhance the quality of life for its 13.0 million citizens. The Commonwealth divides these essential services into seven broad program categories, consisting of direction and supportive services, protection of persons and property, health and human services, public education, economic development, transportation, and recreation and cultural enrichment. This programmatic approach enables Pennsylvania to effectively serve its citizens.

The Commonwealth of Pennsylvania, aside from the defined primary state government, is also accountable for a number of legally-separate component unit organizations. The major discretely presented component units in Pennsylvania include the Pennsylvania Turnpike Commission, the Pennsylvania Housing Finance Agency, the Pennsylvania Higher Education Assistance Agency, the Pennsylvania Infrastructure Investment Authority, and the State System of Higher Education. Although the Commonwealth does not directly control or operate these component unit organizations, it is still financially accountable for them, and therefore, includes them in the Commonwealth's financial reporting entity and reports them separately within its government-wide financial statements. The Commonwealth of Pennsylvania also accounts for two additional component unit organizations, the Commonwealth Financing Authority and the Philadelphia Regional Port Authority. These organizations function as an integral part of the Commonwealth's primary government; therefore, their financial information is blended with the Commonwealth's primary government financial information.

Pennsylvania government has three distinct branches: the legislative branch, the judicial branch, and the executive branch. The legislative branch, comprised of the Senate and House of Representatives, develops and passes the Commonwealth's laws. The judicial branch, made up of the Pennsylvania Supreme Court as well as other specialized courts, serves the Commonwealth by interpreting the laws put in place by the legislative branch. The executive branch, consisting of the elected Governor, Auditor General, Attorney General, State Treasurer, and other appointed officials, works to enforce the laws established by the legislative branch. With these three branches of the Pennsylvania state government, an effective system of checks and balances is created. The Commonwealth's principal leadership and organization charts at June 30, 2022 are incorporated immediately following this letter.

GENERAL FUND

The General Fund, the Commonwealth's largest operating fund, may be used to assess Pennsylvania's financial position and activities for the fiscal year ended June 30, 2022. It accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in special funds, and accounts for a significant portion of Commonwealth expenditures. Tax revenues, principally personal and corporate net income, and sales and use taxes, constitute approximately 90.3% of the General Fund budgetary basis state revenues.

BUDGET ADOPTION AND LEGAL COMPLIANCE BUDGETARY COMPARISON SCHEDULE

A discussion of the Commonwealth's annual budget process is included as Required Supplementary Information (RSI) immediately following the Notes to the Financial Statements. The legally adopted budget provides statutory control over spending. Under Commonwealth law, expenditures cannot exceed amounts appropriated. Budgetary control is exercised by specific, line-item appropriations. The Budgetary Comparison Schedule, included as RSI, provides original budget, final budget and actual budgetary results for the fiscal year ended June 30, 2022.

**BUDGETARY BASIS GENERAL FUND BALANCE INCREASE/(DECREASE)
FIVE MOST RECENT FISCAL YEARS**

The following table shows the General Fund’s year-end fund balance and increases or decreases on a budgetary basis at the end of the five most recent fiscal years (amounts in millions):

**Budgetary Basis General Fund Balance
Increase/(Decrease) Last Five Fiscal Years at June 30**

<u>Fiscal year</u>	<u>Balance/Deficit</u>	<u>Increase/Decrease</u>
2022	\$ 5,537	\$ 5,533
2021 (revised)	4	2,719
2020 (revised)	(2,715)	(2,745)
2019 (revised)	30	63
2018 (revised)	(33)	1,492

During the fiscal year ended June 30, 2022, General Fund revenues exceeded General Fund expenditures by \$7,363, resulting in a partial transfer of the surplus, after prior year lapses, to the Budget Stabilization Fund in the amount of \$2,100. The budgetary basis results for the fiscal year ended June 30, 2022 include revenue collections totaling \$108,013, less appropriation authorizations totaling \$100,650, less other net financing uses totaling \$1,830 that includes the Budget Stabilization Fund transfer. Included in the \$100,650 appropriation authorizations are \$758 of state supplemental appropriations and \$4,030 in federal supplemental appropriations authorized for the fiscal year ended June 30, 2022 (amounts in millions).

ECONOMIC CONDITION

Pennsylvania benefits from a highly diversified economy with a mix of industries. No single employment sector dominates Pennsylvania. Since the turbulent diversification of the Pennsylvania economy during the 1970’s and 1980’s, Pennsylvania has a much more stable economy which tends to track the national economy but with less volatility. During periods of national economic contraction, Pennsylvania often will outperform the U.S. in areas such as growth in real gross state product, growth in real personal income and employment growth. Pennsylvania’s unemployment rate generally trends below the U.S. rate and per capita income levels in the commonwealth exceed national levels. However, during periods of economic expansion, Pennsylvania will often lag behind the rate of growth in the national economy.

The Marcellus shale natural gas deposit is a long-term asset for the state and region, although drilling activity has slowed due to low prices for natural gas. The build out of infrastructure to transport the gas to market continues, with construction of pipelines, compressing stations and processing facilities continuing to benefit Pennsylvania. Development of natural gas continues to be a factor for Pennsylvania’s economic outlook. Direct employment in natural resources and mining is small relative to the total jobs in the state but other industries, such as construction, transportation, and professional services have benefited from the natural gas industry. Longer-term, Pennsylvania’s competitiveness in manufacturing should be enhanced by the decreased costs of energy and petrochemical feedstocks coming from beneath the state.

Education and health care sectors remain a vital part of the state economy. The health care sector expects to benefit from increased demand building upon expanded insurance coverage already provided through the Affordable Care Act. Additionally, the pandemic has placed greater emphasis on the need to invest in the health care workforce. Pennsylvania also boasts many top-flight research hospitals that draw patients from outside the state. The state’s education providers, especially its notable research universities, not only provide jobs on campus but also help to nurture new businesses with the graduates they produce. Discussions of “high-tech” sectors often overlook healthcare but should not do so. The outbreak of the pandemic requires cutting-edge research into potential treatments and vaccines.

Pennsylvania's economic growth over the next few years depends greatly on maintaining the progress made in preventing and treating COVID-19, as that will be key to a full reopening of the global economy. Even then, the leisure and hospitality sector may take several years to fully recover as travelers gradually return to the roadways and air; the future of business travel, including conventions, is a big wildcard for major cities. The return of workers to offices, especially in urban centers, also will influence the number of jobs in certain service sectors, including food service, retail, mass transit and other personal services. Real gross state product will grow by an annual average of 3.5 percent per year from 2020 to 2025, about the same as the national rate. Personal income will rise by 4.2 percent, compared with 4.7 percent for the country.

LONG-TERM FINANCIAL PLANNING

During fiscal year 2021-22 the Commonwealth continued its commitment to redevelop its fiscal strategies to improve the strength of its general fund, largely due to extraordinary tax collections, but also by maximizing the use of federal funding opportunities provided through the CARES Act and the American Rescue Plan Act (ARPA). Excess revenues of \$7.4 billion, in fiscal year 2021-22, enabled the Commonwealth to transfer \$2.6 billion to its rainy-day fund, with an additional \$2.1 billion to be transferred in fiscal year 2022-23.

Act 1A (General Appropriations) and Act 55 of 2022 (amending the Fiscal Code) appropriates the remaining \$1.2 billion of ARP state fiscal relief funds for various programs, including unemployment compensation, health and human services, education, property tax relief, law enforcement and gun violence, whole-home repair, and others.

Act 54 of 2022 (amending the Tax Reform Code) continues the deposit of table games tax revenues into the General Fund.

As the Commonwealth plans for the 2023-24 fiscal year, agencies continue to prioritize sound budget planning. All state agencies continue to think critically about the services they provide, pursuing additional efficiencies without compromising the Commonwealth's core responsibilities to residents.

To mitigate spending growth, the Commonwealth continues to monitor all state agency expenditures and accountability of program effectiveness. Hiring and spending is restricted to only those areas which are necessary to maintain the Commonwealth's health and safety programs and other core functions. In addition, agencies are urged to identify inefficiencies created by outdated legislative mandates as well as regulatory changes to streamline program operations.

Updated projections of the Commonwealth's financial activity and expenditures will be included in the Governor's Fiscal Year 2023-24 Executive Budget request which will be available on March 7, 2023 via the Office of the Budget's website (www.budget.pa.gov).

CERTIFICATE OF ACHIEVEMENT

The ACFR will be submitted to the Government Finance Officers Association of the United States and Canada (GFOA) to determine its eligibility for the GFOA's Certificate of Achievement for Excellence in Financial Reporting. The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth of Pennsylvania for its ACFR as of and for the fiscal year ended June 30, 2021. This represents the thirty-sixth consecutive year the Commonwealth of Pennsylvania has received this award.

To merit a certificate of achievement, a government unit must publish an easily readable and efficiently organized ACFR, which conforms to GFOA standards and satisfies both generally accepted accounting principles and applicable legal requirements. A certificate of achievement is valid for a period of one year only. We believe the ACFR of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 2022 conforms to the GFOA's award criteria.

ACKNOWLEDGMENTS

We wish to express our appreciation to the staff of the Office of the Budget, Office of Comptroller Operations and Commonwealth agencies whose time and dedicated effort made this report possible and, at the same time, to reaffirm our commitment to you to maintain the highest standards of accountability in financial reporting to the citizens of the Commonwealth.

Sincerely,

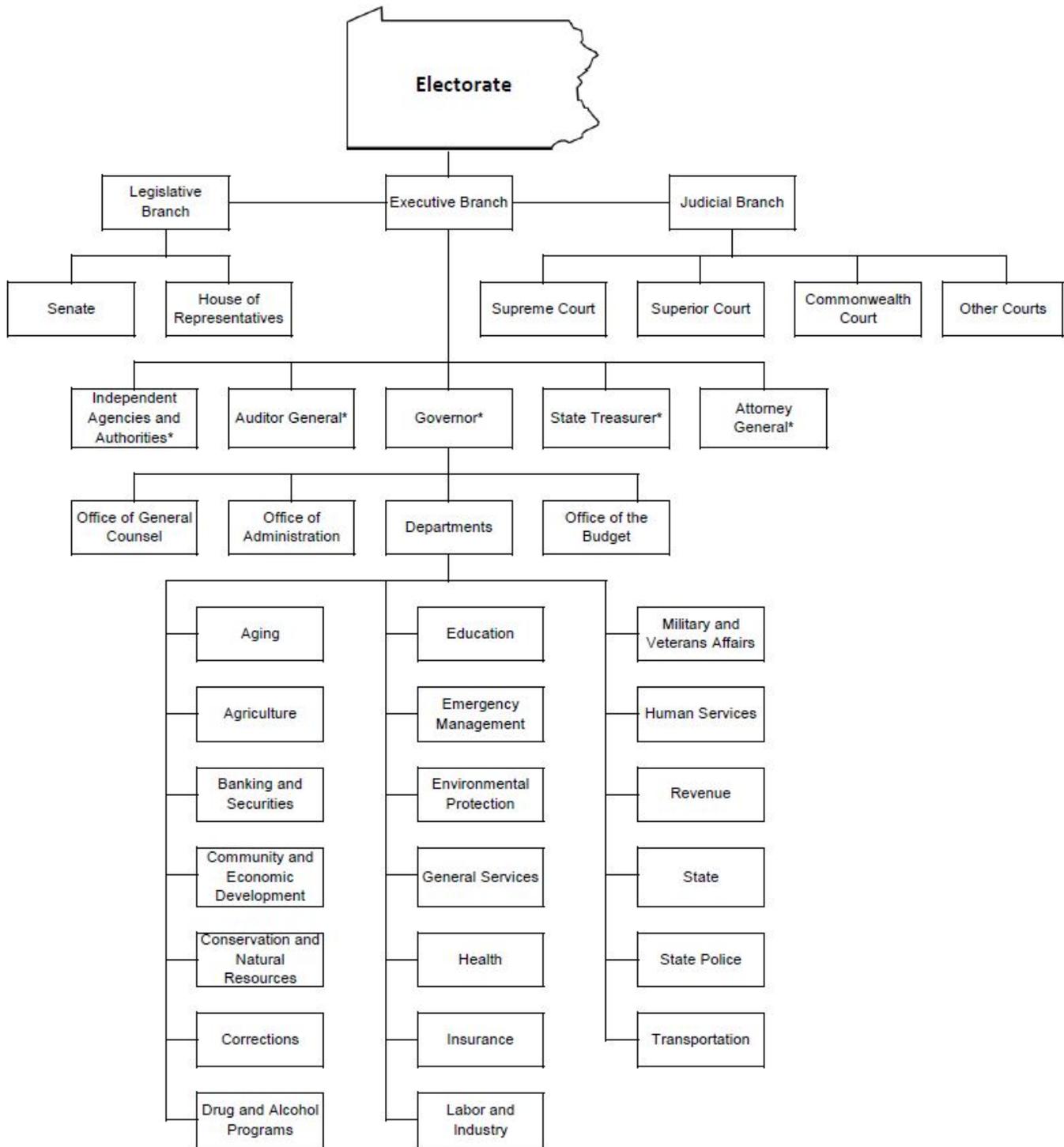


H. Benjamin Lukens, Jr.
Acting Secretary
Office of the Budget



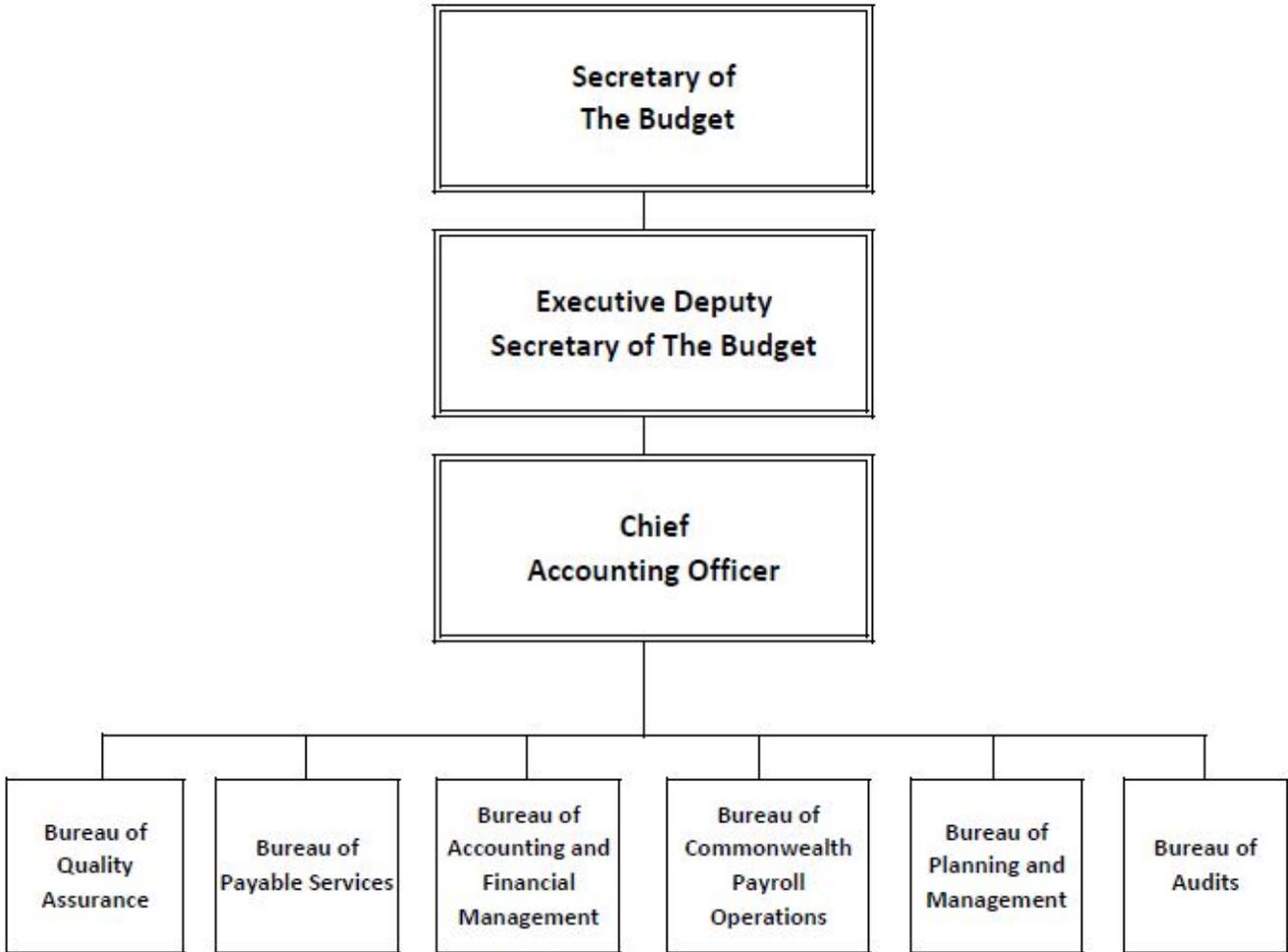
Brian Lyman, CPA
Chief Accounting Officer
Office of the Budget

**COMMONWEALTH OF PENNSYLVANIA
ORGANIZATION CHART
June 30, 2022**



*Independently Elected

OFFICE OF THE BUDGET
OFFICE OF COMPTROLLER OPERATIONS
ORGANIZATION CHART
June 30, 2022



Principal Leadership

Commonwealth Elected and Selected Appointed Officials as of June 30, 2022

Tom Wolf, Governor

John Fetterman, Lieutenant Governor

Stacy Garrity, Treasurer

Timothy DeFoor, Auditor General

Josh Shapiro, Attorney General

H. Benjamin Lukens, Jr., Acting Secretary of the Budget

Michael Newsome, Secretary of Administration

Jake Corman, President pro Tempore, Senate

Bryan Cutler, Speaker of the House

Thomas Saylor, Chief Justice State Supreme Court



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Commonwealth of Pennsylvania

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Financial Section



CliftonLarsonAllen LLP
 CLAconnect.com

Department of the Auditor General
 Commonwealth of Pennsylvania
 Harrisburg, Pennsylvania 17120-0018

INDEPENDENT AUDITORS' REPORT

The Honorable Tom Wolf, Governor
 Commonwealth of Pennsylvania
 Harrisburg, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Pennsylvania (the Commonwealth), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not jointly audit the financial statements of certain funds and component units of the Commonwealth, which represent the indicated percent of assets and deferred outflows of resources and revenues or additions as presented in the table below. Those statements were audited by other auditors, including CliftonLarsonAllen LLP and the Commonwealth of Pennsylvania's Department of the Auditor General acting separately, whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for those funds and component units, are based solely on the report of other auditors.

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets / Deferred Outflow of Resources	Revenues / Additions
Business-Type Activities	Tuition Payment Fund; State Stores Fund; Commonwealth Financing Authority; Philadelphia Regional Port Authority	58%	18%
Major Proprietary Fund	Tuition Payment Fund	100%	100%
Major Proprietary Fund	State Stores Fund	100%	100%
Major Proprietary Fund	Commonwealth Financing Authority	100%	100%

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets / Deferred Outflow of Resources	Revenues / Additions
Aggregate Discretely Presented Component Units	Pennsylvania Turnpike Commission; Pennsylvania Housing Finance Agency; Pennsylvania Higher Education Assistance Agency; Pennsylvania Infrastructure Investment Authority; State System of Higher Education; State Public School Building Authority; Philadelphia Shipyard Development Corporation; Port of Pittsburgh Commission; Pennsylvania Industrial Development Authority; Pennsylvania Convention Center Authority; Thaddeus Stevens College of Technology; Pennsylvania Higher Educational Facilities Authority, Pennsylvania Rural Health Redesign Center Authority, Pennsylvania Health Insurance Exchange Authority	100%	100%
Aggregate Remaining Fund Information	Philadelphia Regional Port Authority; State Employees' Retirement System; Deferred Compensation Fund; Public School Employees' Retirement System; Tuition Account Investment Program; INVEST Program	92%	65%

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Commonwealth and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Commonwealth'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 GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Commonwealth'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 Commonwealth'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 on pages 21 – 46, and the schedules of pension and OPEB amounts, the budgetary comparison schedules, as listed in the table of contents and notes to the required supplementary information on pages 204 – 215, 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

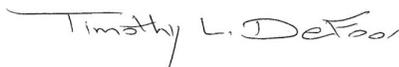
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth's basic financial statements. The combining non-major fund and component unit financial statements, and the budgetary comparison schedules for budgeted non-major special revenue funds, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the supplementary information 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 annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' 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.



Harrisburg, Pennsylvania
December 9, 2022



Baltimore, Maryland
December 9, 2022

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Management's Discussion and Analysis

The Management’s Discussion and Analysis (MD&A) of the Commonwealth of Pennsylvania’s (Commonwealth’s) Annual Comprehensive Financial Report (ACFR) is presented as Required Supplementary Information and provides a review and analysis of the Commonwealth’s financial statements for the fiscal year ended June 30, 2022 and a comparison to the prior fiscal year. The MD&A should be reviewed in conjunction with the Letter of Transmittal, which begins on page 5 of this report, and with the Commonwealth’s financial statements, which follow.

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Section A: Understanding Government Financial Statements

Three questions are the focal points of the financial data in this report:

- 1) Near-term financing: Will the government be able to pay its bills (both expected and unexpected) on time?
- 2) Financial position: Is the government’s financial health improving or deteriorating?
- 3) Economic condition: Is it likely that today’s financial position will improve or deteriorate?

To assist the reader in answering these questions and others, the Commonwealth presents both government-wide financial statements and fund financial statements.

Government-wide Financial Statements are designed to provide a broad overview of the Commonwealth’s finances, in a manner similar to a private-sector business. All of the Commonwealth’s activities are reported in the government-wide statements except for activities accounted for in the fiduciary funds.

Fund Financial Statements focus on accountability of resources versus the government-wide financial statements’ focus on the ability to meet financial obligations.

	Government-wide Statements			Fund Financial Statements		
	Governmental Activities	Business-Type Activities	Discretely Presented Component Units	Governmental Funds (see note 1)	Proprietary Funds (see note 2)	Fiduciary Funds (see note 3)
Scope of Report and Fund Types	Activities generally financed through taxes, intergovernmental revenues, and other nonexchange revenues	Activities financed in whole or part by fees charged to external parties for goods and services	Legally separate organizations for which the elected officials of the primary government are financially accountable or it would be misleading to exclude them	<ul style="list-style-type: none"> • General Fund • Special Revenue Funds • Debt Service Funds • Capital Projects Funds Generally used to account for tax-supported activities	<ul style="list-style-type: none"> • Enterprise Fund • Internal Service Funds Activities that focus on the determination of operating income, changes in net position (cost recovery), financial position and cash flow	<ul style="list-style-type: none"> • Custodial Funds • Pension Trust Funds • Investment Trust Funds • Private-purpose Trust Funds Activities held in a trustee or custodial capacity for others and which therefore cannot be used to support the government’s own programs
Required Financial Statements	Statement (Stmt) of Net Position (1) Stmt of Activities (2)			<ul style="list-style-type: none"> • Balance Sheet (3) • Stmt of Revenues, Expenditures and Changes in Fund Balances (4) 	<ul style="list-style-type: none"> • Stmt of Net Position (1) • Stmt of Revenues, Expenses, and Changes in Net Position (8) • Stmt of Cash Flows (5) 	<ul style="list-style-type: none"> • Stmt Fiduciary Net Position (6) • Stmt of Changes in Fiduciary Net Position (7)
Measurement Focus and Basis of Accounting	Economic resources measurement focus and accrual basis			Current financial resources measurement focus and modified accrual basis	Economic resources measurement focus and accrual basis	Accrual basis

1. **Statement of Net Position** is a government-wide or proprietary fund financial statement that reports the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources as net position, not fund balances or equity.
2. **Statement of Activities** is a government-wide financial statement that reports the net (expense) revenue of its individual function and the activities as a whole.
3. **Balance Sheet** presents a statement of the assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund balances of the government at a point in time.
4. **Statement of Revenues, Expenditures, and Changes in Fund Balances** presents the flows of resources in and out, as well as fund balance at the beginning and end of the financial period.
5. **Statement of Cash Flows** provides relevant information about cash receipts and cash payments during a period.
6. **Statement of Fiduciary Net Position** presents information about the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position for each fiduciary fund type.
7. **Statement of Changes in Fiduciary Net Position** presents additions and deductions in net position, as well as net position at the beginning and end of the financial period.
8. **Statement of Revenues, Expenses, and Changes in Net Position** presents the flows of resources in and out, as well as net position at the beginning and end of the financial period.

Note 1: Governmental Funds focus primarily on the sources, uses and balances of current financial resources and often have a budgetary focus. Thus, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the Commonwealth's programs.

Note 2: Proprietary Funds focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds. Enterprise funds are used in situations where a fund provides services primarily to external customers. Internal service funds are designed to function on a cost-reimbursement basis primarily providing benefits to other funds, departments or agencies of the Commonwealth.

Note 3: Fiduciary Funds account for resources held for the benefit of parties outside the Commonwealth and retired government employees. These activities have been excluded from the Commonwealth's government-wide financial statements because the assets are not available to finance its operations.

For further accounting policy explanations see Note 1 in the notes to the financial statements section of the ACFR.

All dollar amounts in the MD&A are stated in millions unless otherwise indicated. There may be rounding differences between amounts reported in the MD&A section and amounts reported in other sections of the ACFR.

Section B: Commonwealth's Overall Financial Activity

The following are explanations of the various categories broken out in the condensed Statement of Activities. Section C contains condensed financial information for the Commonwealth.

Government-wide Revenues

Tax revenue is the largest portion of revenue reported by the Commonwealth. The majority of the tax revenue is deposited into the General Fund, the Commonwealth's largest operating fund. Significant tax revenue is also reported in the Motor License Fund and is utilized to fund the Commonwealth's highway and bridge infrastructure improvements and enhancements. Gaming taxes provide funding for several initiatives, most notably the Commonwealth's property tax relief program.

Charges for sales and services report the sales, fees and assessments charged for lottery tickets, wine and spirits, licenses, permits and various registration requirements that support many of the Commonwealth's services and programs. The largest portion of charges for sales and services is reported by the State Lottery Fund and the Unemployment Compensation Fund; the profits from lottery ticket sales are utilized to support programs for the elderly.

Operating grants and contributions include the revenue from the Federal Government in the form of grants. The Department of Human Services receives the most federal funds for medical assistance and other social service programs. Other agencies that receive significant federal funds include the Department of Labor and Industry supporting the Unemployment Compensation program, Department of Transportation supporting infrastructure development, Department of Health supporting an effective public health system and the Department of Education funding basic and higher education programs.

Capital grants and contributions make up a small percentage of the Commonwealth's total revenue. The grant revenue reported here is received from the Federal Government and supports construction projects for transportation and military affairs.

Government-wide Expenses

Governmental Activities:

Direction and supportive services are centralized functions affecting all agencies. These services provide an administrative support system through which the goals and objectives of Commonwealth programs are attained. The Governor's Office, Executive Offices, Auditor General, Treasury, the departments of General Services and Revenue and the Legislature are some of the agencies that provide these services.

Protection of persons and property includes consumer and environmental protection, certain regulatory activities, the criminal justice system and the mitigation of the effects of disasters. The State Police, Attorney General, Department of Corrections, Public Utility Commission, Department of Military and Veterans Affairs, Pennsylvania Emergency Management Agency, and Insurance Department are some of the agencies that support these programs.

Public education programs are managed primarily by the Department of Education. The Commonwealth strives to provide a system of learning experiences and opportunities through quality basic, special, technical and higher education programs.

Health and human services programs are primarily the responsibility of the departments of Human Services, Health, Aging and Drug and Alcohol Programs with contributions by the departments of Agriculture, Labor and Industry, Military and Veterans Affairs and Revenue. Agencies include these programs to ensure access to quality medical care for all citizens, support citizens seeking self-sufficiency, provide assistance to veterans and maximize citizens' opportunities to participate in society.

Economic development programs invest public resources to create jobs for Commonwealth citizens. The total efforts of the Department of Community and Economic Development are devoted to these programs and are the primary source of reported expenses.

Transportation reports the expenses of the Commonwealth's road and bridge infrastructure improvements and enhancements as well as the costs to provide licensing and highway safety programs. Transportation systems are developed to serve the needs of citizens, commerce and industry and are financed through the Department of Transportation.

Recreation and cultural enrichment programs focus resources on recreational and cultural amenities, ensuring that Commonwealth citizens and visitors can explore the cultural traditions, art and history of the Commonwealth and take advantage of outdoor recreational opportunities. The programs are primarily the responsibility of the Department of Conservation and Natural Resources, the Fish and Boat Commission, the Game Commission, the Historical and Museum Commission and the Department of Education.

Interest expense is the result of Commonwealth incurred debt used to finance its capital programs, voter-approved bond referendum and certain disaster relief programs. Most long-term financing of the Commonwealth is provided by the issuance of general obligation debt.

Business-Type Activities:

State lottery reports the cost of sales and services to manage and maintain the Commonwealth's lottery program. All profits from the lottery program benefit the elderly population through the funding of programs ensuring reduced costs on prescriptions, access to public transportation, and property tax and rent rebate programs.

State workers' insurance reports the administrative expenses to provide workers' compensation insurance to employers, including those refused policies by private insurance firms.

Tuition payment reports the administrative expenses of the Tuition Payment Fund which provides Commonwealth residents the opportunity to prepay college tuition towards future education expenses at eligible educational institutions.

Unemployment compensation reports the expenses for payments made to unemployed individuals.

Commonwealth financing reports the expenses of the Commonwealth Financing Authority. The majority of expenses are for grants that promote the health, safety, employment, business opportunities and economic activity of the Commonwealth.

Liquor control expenses cover all costs associated with the operation and administration of the Liquor Store System and enforcement of the Liquor Code.

Economic development and other expenses reported include a variety of economic development programs including activities of the Philadelphia Regional Port Authority.

Section C: Condensed Financial Information

Government-wide Statement of Net Position as of June 30, 2022 and 2021

(Amounts in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Assets:						
Cash and investments	31,244	23,490	5,951	7,060	37,195	30,550
Capital assets (net)	43,570	42,640	1,076	1,055	44,646	43,695
All other assets	14,529	14,102	1,826	2,957	16,355	17,059
Total assets	89,343	80,232	8,853	11,072	98,196	91,304
Total deferred outflows	7,710	7,571	283	316	7,993	7,887
Liabilities:						
Accounts payable	12,775	11,867	843	2,200	13,618	14,067
All other current liabilities	8,427	12,362	885	2,507	9,312	14,869
Bonds payable, noncurrent	9,801	10,821	4,336	4,490	14,137	15,311
All other long-term liabilities	36,062	39,744	3,754	4,121	39,816	43,865
Total liabilities	67,065	74,794	9,818	13,318	76,883	88,112
Total deferred inflows	11,655	10,447	733	696	12,388	11,143
Net position:						
Net investment in capital assets	36,402	36,091	808	769	37,210	36,860
Restricted	5,102	4,251	2,131	1,348	7,233	5,599
Unrestricted	(23,171)	(37,780)	(4,354)	(4,743)	(27,525)	(42,523)
Total net position (deficit)	18,333	2,562	(1,415)	(2,626)	16,918	(64)

Statement of Net Position Variance Analysis Year-Over-Year
(A discussion of significant activities)

Cash and investments net increase:

- Governmental Activities total cash and investments increased \$7,754. A substantial portion of the increase was associated with an increase of \$7,963 in investments due to increased cash from tax revenues to invest as cash flows from operations return to pre-pandemic levels.
- Business-Type Activities total cash and investments decreased \$1,109 primarily due to the Unemployment Compensation Fund’s cash and investment decrease of \$745. This decrease is related to the repayment of the Federal Unemployment Account (FUA) loan balance. Additionally, the State Stores Fund saw a decrease of \$114 which is the result of a decrease in cash flow from operations. These decreases were partially offset by an increase in the State Lottery Fund of \$78, which is due to a delay in the ability to pay a vendor for various games.

Capital assets net increase:

- The \$930 increase in Governmental Activities capital assets was primarily due to increases in highway and bridge infrastructure of \$1,234 and \$562 respectively. There were 158 additional highway and 167 resurfacing projects completed. The Commonwealth also added 502 new bridge assets during the year.
- The \$21 increase in Business-Type activities capital assets is primarily due to increases in leased assets and computer software of \$33 and \$42 respectively. These increases were partially offset by the accumulated depreciation for assets of \$68.

All other assets net decrease:

- Governmental Activities increased \$427 overall. Taxes receivable saw a net increase of \$125 mainly attributable to increased inheritance taxes receivable due to higher home values. Additionally Pennsylvania Department of Education had an increase of \$713 in funds due from the federal government related to the American Rescue Plan Act of 2021 (ARPA) for

Elementary and Secondary Schools Emergency Relief (ESSER) funds, Governors Emergency Education Relief (GEERS) funds and the creation of the Individuals with Disabilities Education Act (IDEA) grant. The Motor License fund experienced a decrease in funds due from the federal government of \$386 due to the full reimbursement of the Highway Infrastructure Program Funds in the Coronavirus Response and Relief Supplemental Appropriations Act, 2021.

- Business-Type Activities decreased \$1,131 directly related to the \$1,041 decrease in the Unemployment Compensation Fund's receivable from the Federal Government, resulting from the Department of Labor and Industry (L&I) continued efforts to process the significant number of claims that occurred due to the COVID-19 pandemic.

Deferred outflows of resources net increase:

The total increase of \$106 is caused by the portion of pension and other postemployment benefit (OPEB) plan losses that are related to and expensed in future years (see the other long-term liability increase). Both Pennsylvania State Employees' Retirement System (SERS) and OPEB plans experienced decreases due to changes in assumptions including an increase to OPEB's discount rate. Also included in the Governmental Activities is the Retired Pennsylvania State Police Program (RPSPP) OPEB plan which saw an increase due to a difference between the expected and actual experience as well as a decrease in the discount rate and mortality rate updates. This increase in RPSPP offset the decreases in both SERS and OPEB plans creating an overall increase to Governmental Activities.

- Governmental Activities increased \$139.
- Business-Type Activities decreased \$33.

Accounts Payable net decrease:

- Governmental Activities increased \$908 due primarily to the \$962 increase in the General Fund related to Commonwealth's medical assistance program. These increases were partially offset by a \$211 decrease to the Department of Community and Economic Development (DCED) programs funded primarily through monies received from ARPA for Non-entitlement units to local governments.
- Business-Type Activities decreased \$1,357 primarily due to a significant reduction in the number of outstanding unemployment claims. The COVID-19 pandemic caused a substantial number of unemployment benefits claims that remained outstanding as of June 30, 2020. Over the past two years, the Department of Labor & Industry has made progress in reducing the number of outstanding claims.

Further information is provided in the individual fund analysis in Section D.

All other current liabilities net decrease: (Items reported in this category include tax refunds payable, due to other governments and political subdivisions, bonds payable and other current liabilities.)

- Governmental Activities decrease of \$3,935 is largely attributable to a decrease of \$4,811 in unearned revenue due to the recognition of the Federal State Fiscal Recovery monies through the ARPA. The entirety of the State Fiscal Recovery funds received of \$7,291 were recorded as unearned for the fiscal year ended June 30, 2021. As of June 30, 2022, \$2,369 remain unearned. Further information is provided in the individual fund analysis in Section D.
- Business-Type Activities decrease of \$1,622 can be directly attributed to repayments on the FUA loan balance.

Bonds payable, noncurrent net decrease:

- Governmental Activities noncurrent bonds payable decreased \$1,020 as a result of normal debt service activity during the fiscal year including bond retirements for general obligation bonds.
- Business-Type Activities decreased \$154 as a result of normal debt service activity and bond refunding by the Commonwealth Financing Authority.

All other long-term liabilities net decrease: (Liabilities reported in this category are due in periods beyond twelve months from the close of the fiscal year and will be repaid with future resources. Reported items include compensated absences, self-insurance, net pension liabilities, OPEB liabilities, and other long-term liabilities.) The total decrease of \$4,049 is largely due to gains in the pension and OPEB plans. The OPEB liabilities decreased by \$720 as a result of the increased discount rate from 2.2% to 3.6% and an experience gain for the REHP. The SERS net pension liability decreased \$3,089 driven by increased investment income for the plan. SERS investment earnings significantly outperformed actuarially determined projections during 2021. (See notes 9 & 10 for more information.)

- Total Governmental Activities decreased \$3,682 resulting from the OPEB decrease of \$618, and pension decrease of \$2,961. These were partially offset by an increase in lease liabilities of \$119.
- Total Business-Type Activities decreased \$367 resulting from the OPEB decrease of \$102, pension decrease of \$128 and a decrease in insurance loss liabilities of \$89.

Deferred inflows of resources net increase:

The total increase of \$1,245 is primarily due to a difference between the expected and actual plan investment earnings. SERS investment earnings experienced a 17% rate of return over the projected return of 7%. This was partial offset by a OPEB decrease related to amortization of prior years' deferred inflows, the majority of which related to the difference between expected and actual experience.

- Governmental Activities deferred inflows of resources increased \$1,208.
- Business-Type Activities deferred inflows of resources increased \$37.

Net position: The Primary Government's net position increased \$16,982 over the prior year. The overall increase to the Primary Government's net position is directly related to the increase in revenues, most notably in revenues from the Federal government for COVID relief through the ARPA. Additionally, tax revenues significantly contributed to the increase in net position in the personal income, sales and use, and corporation tax categories. Further information is provided in the individual fund analysis in Section D.

The increase in net position related to Business-Type Activities can be attributed to a significant decrease in Unemployment Compensation benefits paid due to a decrease in the number of claims as the effects of the COVID pandemic diminish.

Statement of Activities for the Fiscal Years Ended June 30, 2022 and 2021

(Amounts in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues						
Charges for sales and services	\$ 8,848	\$ 8,367	\$ 10,185	\$ 10,352	\$ 19,033	\$ 18,719
Operating grants and contributions	52,861	42,952	3,444	22,200	56,305	65,152
Capital grants and contributions	63	96	3	6	66	102
Total program revenues	61,772	51,415	13,632	32,558	75,404	83,973
General revenues: taxes and investment earnings	49,581	43,951	—	—	49,581	43,951
Total revenues	111,353	95,366	13,632	32,558	124,985	127,924
Expenses:						
Governmental Activities						
Direction and supportive services	1,697	1,768	—	—	1,697	1,768
Protection of persons and property	6,500	7,069	—	—	6,500	7,069
Public education	21,116	18,076	—	—	21,116	18,076
Health and human services	57,584	51,308	—	—	57,584	51,308
Economic development	1,400	1,224	—	—	1,400	1,224
Transportation	6,190	6,118	—	—	6,190	6,118
Recreation and cultural enrichment	587	581	—	—	587	581
Interest	313	325	—	—	313	325
Business-Type Activities						
State lottery	—	—	4,927	5,115	4,927	5,115
State workers' insurance	—	—	41	35	41	35
Tuition payment	—	—	265	249	265	249
Unemployment compensation	—	—	4,878	25,957	4,878	25,957
Commonwealth financing	—	—	322	341	322	341
Liquor control	—	—	2,103	2,074	2,103	2,074
Economic development and other	—	—	80	74	80	74
Total expenses	95,387	86,469	12,616	33,845	108,003	120,314
Excess before transfers	15,966	8,897	1,016	(1,287)	16,982	7,610
Transfers	(195)	289	195	(289)	—	—
Increase (decrease) in net position	15,771	9,186	1,211	(1,576)	16,982	7,610
Net position (deficit)-beginning	2,562	(6,626)	(2,626)	(1,051)	(64)	(7,677)
Restatement	—	2	—	1	—	3
Net position (deficit)-ending	\$ 18,333	\$ 2,562	\$ (1,415)	\$ (2,626)	\$ 16,918	\$ (64)

**Statement of Activities Variance Analysis Year-Over-Year
(A discussion of significant activities)**

Revenues**Charges for sales and services** net increase:

- Governmental Activities increased \$481. Human services experienced a \$209 increase primarily as a result of assessments on managed care organizations due to an increase in enrollment eligibility. Also, there was a temporary increase in federal funding for Home and Community Based Services, which helps seniors, people with disabilities and children with complex medical needs. The Public Utilities Commission saw an increase of \$104 primarily due to an increase in natural gas prices as well as an increase in well drilling. The Game Fund and the Oil and Gas Lease fund saw revenues increase by \$117 and \$56 respectfully, as the price of gas rose significantly from the prior year and all travel restrictions related to the COVID pandemic were lifted .
- Charges for sales and services of business-type activities include, among many things, lottery sales, wine & spirit sales, and unemployment compensation revenues. The decrease of \$167 is directly related to the decrease in state lottery sales of \$329 as result of higher inflation and individuals having less disposable income. The decrease was partially offset by a \$96 increase in State Stores revenues as retail stores re-opened and the capacity limits placed on bars and restaurants returned to pre-COVID pandemic levels.

Further information is provided in the individual fund analysis in Section D.

Operating grants and contributions net decrease:

- Governmental Activities increased \$9,909, due to federal funding from the American Rescue Plan Act of 2021 (ARPA). An increase of federal funding was received for the Home and Community Based Services, which provides services beyond those covered by a medical assistance program. The number of individuals qualifying for medical assistance also continues to grow at a faster than expected rate. The Supplemental Nutrition Assistance Program (SNAP), which provides nutrition benefits to supplement the food budget of needy families, saw approximately a \$1,946 increase in funding over the prior year. Additionally, the Department of Education experienced an increase in COVID funding of \$2,457 for the ESSER, GEER, IDEA and others . This was offset by a reduction in federal COVID funding to the Department of correction of \$1,158 as eligible expenditures for items such as vaccination centers were no longer necessary.
- Business-Type Activities decreased \$18,756. The decrease is the direct result of a \$18,091 reduction in federal funding for unemployment compensation benefits paid in prior years as a result of an expansion in available programs stemming from the COVID-19 pandemic.

More information is provided in the individual fund analysis in Section D.

Taxes and investment earnings net increase of \$5,630 in Governmental Activities can be attributed to increases in personal income taxes of \$2,149, sales and use taxes of \$1,294, corporation taxes of \$1,229, gaming taxes of \$473, and inheritance taxes of \$297. Annual personal income tax payments increased significantly along with employer withholding payments. Sales and use tax and corporation taxes both exceeded expectations and gaming tax increased as a result of continued growth in sports wagering, iGaming, and the opening of two more casinos.

Expenses: Governmental Activities

Public education increased \$3,040. COVID expenses related to the ESSER and GEER increased \$1,668 and \$201, respectfully. The Food and Nutrition program also experience a significant increase as meals were once again provided to the schools.

Health and human services expenses increased \$6,276 as the result of a temporary increase to the federal medical assistance percentage (FMAP) under the ARPA. The Medical Assistance program also continues to grow at a faster than anticipated pace.

Economic development expenses increased \$176 due to the COVID-19 relief fund monies being expended. The DCED's expenditures increased \$88, which primarily pertained to the use of COVID-19 funds for business assistance, local recovery, and tourism recovery. The Commonwealth transferred \$85 of COVID-19 funding to the PA Housing Finance Agency (PHFA) in order to implement an assistance program for homeowners affected by COVID.

Expenses: Business-Type Activities

State Lottery program expenses decreased \$188. Lottery expenses, specifically, prize payouts and retailer commissions have a strong correlation to lottery sales and the lottery sales decreased this year.

Unemployment Compensation program expenses decreased \$21,079 as the emergency unemployment programs established during the COVID-19 pandemic start winding down. Additionally, the number of unemployment claims continue to return to pre-pandemic levels.

Refer to the Unemployment Compensation Fund analysis in Section D for additional detail.

Transfers between the Governmental Activities and Business-Type Activities decreased \$484. Transfers from Governmental Activities to Business-Type Activities decreased \$377 primarily due to CFA's \$341 transfer of

the PlanCon bond proceeds to the General Fund that occurred last fiscal year. Also, transfers from Business Activities to Governmental Activities increased \$107 due to Gaming transferring \$114 to the Lottery Fund for the Property Tax Rent Rebate program. There was no such transfer that occurred in the prior fiscal year.

Section D: Individual Funds Analysis

General Fund Assets, Liabilities, Deferred Inflows and Fund Balance
Condensed, comparative, financial information (amounts in millions)

	2022	2021
Assets:		
Cash and investments	\$ 21,599	\$ 15,484
Receivables, net	6,118	5,846
Due from other funds/governments/advances/other	7,588	6,882
Total assets	\$ 35,305	\$ 28,212
Liabilities:		
Accounts payable and tax refunds payable	\$ 12,330	\$ 11,185
Due to other funds/governments/advances/other	3,687	3,138
Unearned revenue	2,476	7,325
Total liabilities	18,493	21,648
Total deferred inflows of resources	3,441	3,491
Fund Balance:		
Total fund balance	13,371	3,073
Total liabilities, deferred inflows of resources and fund balance	\$ 35,305	\$ 28,212

Cash and investments increased \$6,115. The majority of the increase pertained to an increase of \$6,249 in temporary investments due to cash flow operations returning to normal after COVID shutdowns and a budget surplus transfer of \$2,622 to the Budget Stabilization Fund. Additionally, revenues exceeded expenditures by \$11,208, largely due to an increase in tax revenues as the economy continues to rebound from the COVID-19 pandemic.

Receivables, net increased \$272 and can be attributed in part to increases in taxes receivable of \$136. Inheritance and corporate taxes increased \$111 and \$45 respectively. The increase in inheritance taxes is largely due to elevated home values and a strong stock market during 2021 while the increase in corporate taxes receivable is largely attributable to increased business income. Personal income tax receivable decreased \$41 due to higher than expected collections in the fourth quarter of the fiscal year. Additionally there was a \$120 increase in accounts receivable, which mainly pertained to an increase in outstanding collections from the Office of Inspector General for the Department of Human Services (DHS) related to cash and medical assistance programs.

Due from other funds/governments/advances/other increased \$706, primarily due to a \$564 increase in due from federal government and a \$171 increase due from other funds. The increase is mainly attributable to increases to the Pennsylvania Department of Education (PDE), the Pennsylvania Emergency Management Agency (PEMA), and Department of Health (DOH). A \$725 increase to PDE was mostly related to an increase in COVID grant expenditures during FY21 for the Elementary and Secondary School Emergency Relief (ESSER) program,

Governor's Emergency Education Relief (GEER) program and Individuals with Disabilities Education Act (IDEA) funds. DOH saw an increase of \$43 related to the Women, Infants and Children (WIC) grants. PEMA also experienced a \$28 increase as the Federal Emergency Management Agency broadened allowable expenses due to the COVID pandemic. These increases were partially offset by a \$132 decrease to DHS for unbilled credits related to the Home and Community Based Services grant at fiscal year end.

Accounts payable and tax refunds payable increased by \$1,145. The increase is applicable to an increase of \$958 in accounts payable. This increase is largely attributable to the continued growth in medical assistance programs and a significant enrollment increase from the prior year. The Home and Community Choice Based Services program also received a 10% increase in funding through the American Rescue Plan Act of 2021 (ARPA). There was a \$223 decrease as COVID Local Fiscal Recovery Fund monies that were accrued last year were paid to the Non-Entitlement Units of Local Government. Tax refunds payable increased \$186 due to a change in calculation methodology to accrue personal income and inheritance taxes payable.

Due to other funds/governments/advances/other increased \$549 overall. The increase was comprised primarily of the following: \$490 for PDE's COVID related expenditures for ESSER and the IDEA grant, timing of a \$173 supplemental reduction in funding between the State Police and the Motor License Fund resulting from the General Appropriations Act 2022, and \$108 due to increased expenditures related to the DHS's Home and Community Based Services. These increases were offset by the repayment of the \$145 advance recorded in the

prior year for COVID Relief - County Block Grant - Hospitality Industry Recovery Program fund. Other liabilities also increased \$58, driven by delays in processing escheat claims caused by the COVID-19 pandemic.

Unearned revenue decreased \$4,849. In May 2021, the Commonwealth received \$7,291 of federal Coronavirus State Fiscal Recovery Fund monies, which were provided under the ARPA. As of June 30, 2021, none of the funding had been spent; however, a significant portion of these funds were spent this fiscal year.

Deferred inflows of resources decreased \$50 due to decreases in unavailable revenue. Revenue earned but not anticipated to be collected until more than 60 days after the end of the fiscal year is considered not available for governmental activities. Net unavailable tax revenue decreased \$51, comprised of \$69 and \$56 decreases in the personal income and sales and use tax categories, respectively. These were partially offset by increases of \$21 and \$52 in inheritance and corporate tax categories, respectively.

General Fund Revenues, Expenditures and Changes in Fund Balance
Condensed, comparative, financial information (amounts in millions)

The General Fund, the Commonwealth’s largest fund, accounts for approximately 87% of the total governmental fund type revenues and other financing sources and 86% of the total governmental fund type expenditures and other financing uses. The General Fund collects approximately 86% of the total tax revenues and is the primary funding source for most Commonwealth expenditures.

	2022	2021
Revenues:		
Taxes, net of refunds		
Personal income	\$ 17,198	\$ 14,874
Sales and use	14,058	12,793
Corporation	6,926	5,683
Inheritance	1,568	1,230
Cigarette	1,141	1,242
Realty transfer	838	627
Gaming	309	241
Other	464	491
Total taxes, net of refunds	42,502	37,181
Intergovernmental	50,428	39,636
Charges for sales and services	4,137	3,958
Licenses/fees/investment/other income	1,144	1,050
Total revenues	98,211	81,825
Expenditures:		
Direction and supportive services	1,318	1,297
Protection of persons and property	5,567	5,365
Health and human services	57,923	51,172
Public education	20,434	17,399
Recreation and cultural enrichment	353	341
Economic development	789	562
Transportation	86	86
Capital outlay	464	235
Other expenditures	69	68
Total expenditures	87,003	76,525
Revenues over/(under) expenditures	11,208	5,300
Other financing sources (uses):		
Transfers in	438	962
Transfers out	(1,612)	(1,861)
Leases and installment purchases	264	114
Other financing obligations	—	83
Net other financing uses	(910)	(702)
Net change in fund balance	\$ 10,298	\$ 4,598

Total taxes, net of refunds increased \$5,321, comprised mostly of \$2,324, \$1,265, and \$1,243 increases in the personal income, sales and use, and corporation tax categories, respectively. Unprecedented economic conditions that occurred post-pandemic contributed to the increase. These factors included a tight labor market that resulted in very strong wage growth, much higher than expected inflation rates, unprecedented increases in capital gains and net business profits for tax year 2021, the continued moratorium on federal student loan repayments, higher taxes that were pushed forward to consumers, and shifts in consumer purchases to higher margin products.

Intergovernmental revenues increased \$10,792 predominantly due to increases in federal revenue for the Department of Human Services (DHS), Executive Offices, and the Department of Education of \$5,758, \$3,592, and

\$2,473, respectively. The DHS received about \$3,600 more in COVID-19 funding than in the prior year, and Supplemental Nutrition Assistance Program (SNAP) pandemic-related emergency allotments resulted in a \$1,946 increase in federal revenues. The increase for the Executive Offices primarily represents the recognition of American Rescue Plan Act State Fiscal Recovery funds expended during the year, while the \$2,473 increase for the Department of Education is mainly due to increased COVID-19 funding for several programs as well as federal funding for the Food and Nutrition program. The increases were offset by a \$1,146 decrease for the Department of Corrections that pertained nearly exclusively to a reduction in COVID-19 funding.

Charges for sales and services increased \$179 mainly due to the enactment of Act 92 of 2015 that amended the Public Welfare Code. Act 92 established monthly, per

member assessments on Medicaid managed care organizations. A rise in the monthly Medicaid enrollment during the COVID-19 pandemic drove the increase in revenue. Additionally, the Department of Human Services (DHS) temporarily reduced the quality care assessments on hospitals from 3.32% of net inpatient revenue and 1.73% of net outpatient revenue to 3.05% and 1.59%, respectively, for the prior year. DHS reestablished the assessments at the former rates for the current year.

Licenses/fees/investment/other income increased \$94. This increase primarily pertained to a \$54 increase in the recognition of unclaimed property escheats, \$44 increase related to the change in annual accrued receivables from the Pennsylvania Infrastructure Investment Authority, and a \$30 return of monies from the Insurance Regulation and Oversight Fund. The increases were offset by decreases of \$10, \$17, and \$21 that pertained to prior year category 4 gaming license fees, non-federal grants for accurate voting initiatives, and a legal settlement related to the promotion of opioids by pharmaceutical companies, respectively, that were not applicable to the current year.

Health and human services accounts for approximately 67% of total general fund expenditures for the year. The increase of \$6,751 largely pertains to an increase in COVID-19-related funding. The ARPA details a temporary 10 percentage point increase to the federal medical assistance percentage point (FMAP) for certain Medicaid expenditures for home and community-based services. In December 2021 the Commonwealth received conditional approval from the Centers for Medicare & Medicaid Services to implement the temporary FMAP. In addition, the number of individuals eligible to receive medical assistance increased by 232,000 from the prior year.

Public education accounts for approximately 23% of total general fund expenditures. The increase of \$3,035 largely relates to a \$2,022 increase in COVID-related expenditures. Of that, \$1,620 was associated with costs related to the Elementary and Secondary School Emergency Relief program, \$201 for the Governor's Emergency Education Relief program, and \$165 for the Individuals with Disabilities Education Act, offset by a \$95 decrease related to the Food and Nutrition Emergency Relief program, which ensures that all kids receive healthy meals. In addition, non-COVID federally funded expenditures increased \$629, predominantly for the Food and Nutrition program, due to an increase in meals

provided as schools were open for the entire school year. The Commonwealth provided \$297 more in basic education funding and \$159 less in school construction bond proceeds to schools than in the prior year.

Protection of persons and property expenditures increased \$202 largely due to a \$233 increase in expenditures for the Pennsylvania State Police. The Appropriations Act of 2022 reduced the State Police's appropriation from the Motor License Fund, which reimburses the State Police for a portion of its general government operations annually, to \$426, a reduction of \$191 from the prior year. In addition to the decreased expenditure reimbursement, State Police personnel expenses increased by \$30. The Pennsylvania Emergency Management Agency and the Department of Corrections experienced expenditure increases of \$76 and \$62, respectively. The increases were offset by a \$149 decrease in the COVID-19 School Safety grant, which was expended in the prior year.

Economic development expenditures increased \$227 primarily due to utilization of COVID-19 monies during the year. The Department of Community and Economic Development's expenditures increased \$108, which primarily pertained to the use of COVID-19 funds for business assistance, local recovery, and tourism recovery. Also, the Commonwealth issued \$85 of COVID-19 funds to the Pennsylvania Housing Finance Agency (PHFA), which was an \$81 increase from the prior year. Current year payments to the PHFA were attributable to construction cost relief and homeowner assistance.

Transfers in decreased \$524 largely due to the prior year transfers of \$341 in PlanCon bond proceeds by the Commonwealth Financing Authority from its issuance of Series 2021 A of Revenue Bonds and \$143 from various funds as authorized under Act 114 of 2020. Similar transfers did not occur during the current year. Additionally, the State Lottery Fund transferred \$30 less for pharmaceutical assistance to older Pennsylvanians.

Transfers out decreased \$249 primarily due to the prior year transfer of \$200 that was made to the Gaming Fund for property tax relief, along with a reduction in transfers required to meet the current fiscal year's debt service requirements.

Motor License Fund
Condensed, comparative, financial information (amounts in millions)

Description	2022	2021
Cash and investments	\$ 2,072	\$ 1,023
Other assets	880	1,112
Total assets	\$ 2,952	\$ 2,135
Accounts payable	\$ 690	\$ 598
Other liabilities	245	230
Total liabilities	935	828
Total fund balance	2,017	1,307
Total liabilities and fund balance	\$ 2,952	\$ 2,135
Tax revenues	\$ 3,600	\$ 3,562
Licenses and fees	1,150	1,114
Intergovernmental	2,109	2,351
Other revenues	87	105
Total revenues	6,946	7,132
Direction and supportive services	32	35
Protection of persons and property	786	964
Transportation	2,693	2,653
Capital outlay	2,575	2,651
Other expenditures	9	7
Total expenditures	6,095	6,310
Net other financing uses	(141)	(110)
Net change in fund balance	\$ 710	\$ 712

Fund Description: The Motor License Fund receives revenues from various taxes, fees, federal aid, and aid from other political entities. The Motor License Fund incurs expenditures for highway and bridge improvement, design, maintenance, and purchases of rights-of-way, as well as aviation activities and transportation licensing and safety activities. It also finances State Police highway patrol operations and pays subsidies to local subdivisions for construction and maintenance of roads.

Cash and investments increased \$1,049 and is largely attributable to an increase in investments. The revenue increase in the prior year, combined with decreases in overall expenditures for the current year, provided more opportunity to increase investments.

Other assets decreased \$232. There was a \$386 decrease in due from federal government as COVID funds received for the Highway Infrastructure Program and expended in the prior fiscal year were fully reimbursed. This decrease was offset by a \$162 increase in due from other funds as a result of the timing at fiscal year end.

Accounts payable increased \$92 due to the timing of vendor invoices and construction payments near fiscal year end.

Tax revenues increased \$38 primarily due to the increase in revenue from the liquid fuels tax category, specifically the oil company franchise tax. The oil company franchise tax is imposed on all taxable liquid fuels and fuels and is remitted by distributors of liquid fuels and fuels. This

increase is a direct result of increased travel following the COVID-19 pandemic.

Licenses and fees increased \$36 due to increases in driver license and Real ID fees as the May 2023 deadline for Real ID enforcement is approaching. REAL IDs are photo identifications that meet the Department of Homeland Security's federal requirements and became available in Pennsylvania beginning in March 2019. Starting in May 2023, only REAL ID compliant identification will be accepted at airports and other federal establishments.

Intergovernmental decreased \$242 due to an overall decrease in federal funds received this fiscal year. The Motor License Fund received \$128 less COVID related funding and \$71 less federal aid for bridge construction compared to the prior year.

Protection of persons and property expenditures decreased by \$178 due to a one-time supplemental reduction to the fund necessitated by the Appropriations Act of 2022, which decreased funding to the State Police highway patrol operations.

Transportation expenditures increased by \$40 attributable to an increase in operational costs, specifically fuels and bituminous material usage, as highway projects and construction activity continued to increase following the COVID-19 pandemic.

Unemployment Compensation Fund
Condensed, comparative, financial information (amounts in millions)

Description	2022	2021
Cash and investments	\$ 368	\$ 1,113
Unemployment assessments receivable	626	591
Other assets	244	1,267
Total assets	1,238	2,971
Total deferred outflows of resources	18	27
Accounts payable	124	1,329
Other liabilities	145	1,687
Total liabilities	269	3,016
Total deferred inflows of resources	29	34
Total net position (deficit)	\$ 958	\$ (52)
Total operating revenues: Sales and services	\$ 2,243	\$ 2,196
Total operating expenses: Cost of sales and services	4,870	25,956
Operating income (loss)	(2,627)	(23,760)
Nonoperating income	3,640	21,741
Income (loss) before transfers	1,013	(2,019)
Transfers out	(3)	(2)
Increase (decrease) in net position	\$ 1,010	\$ (2,021)

Fund Description: The Unemployment Compensation (UC) Fund collects employer assessments for unemployment compensation and transfers the assessments to the Federal Government for deposit in the UC Trust Fund (UTF). These funds are drawn down to pay unemployment compensation payments to claimants as needed.

Cash and investments decreased \$745 primarily due to the decrease in the balance of the Unemployment Insurance Trust (UIT) account. The decline in the UIT account is attributed to principal repayments on the Federal Unemployment Account (FUA) loan balance during the current year. The decrease was mitigated by increased transfers into the UIT account from continuous operations.

Other assets decreased \$1,023 primarily due to the decrease due from the federal government in the amount of \$1,041. The majority of the benefits payable as of June 30, 2022 are federal UC programs that are payable by the Federal Government. The benefits payable in the prior year reflected higher claims due to federal UC programs to mitigate the COVID-19 pandemic's impact. The current year decreased as a result of the Pennsylvania Department of Labor and Industry's (L&I) ability to enhance operations to meet the volume of unemployment claims this year.

Accounts payable decreased by \$1,205 as a result of the unemployment benefits that were payable at the end of the fiscal year. In the prior fiscal year, the COVID-19 pandemic caused an excess number of unemployment benefits needing to be paid. Because the number of unemployment claims remain higher than normal due to the pandemic, L&I developed new systems and strategies

in order to be equipped to serve the public's increased need for unemployment benefits.

Other liabilities decreased \$1,542 primarily due to principal repayments on the FUA loan balance during the current year as activity in the state's unemployment programs begin to return back to pre-COVID-19 pandemic levels.

Total Operating Expenses: Cost of sales and services decreased \$21,086 due to the decrease in unemployment compensation benefits that were paid as COVID-19 pandemic programs and their more lenient eligibility requirements have either expired or are winding down.

Nonoperating income decreased by \$18,101 as a result of a decrease in federal unemployment benefits that were paid during the fiscal year. Many of the programs established during the COVID-19 pandemic are now winding down. This included: Lost Wage Assistance Program (LWA), Federal Pandemic Unemployment Compensation (FPUC), Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC), Waiver Week, and Extended Benefits.

State Workers' Insurance Fund (SWIF)
 For the Fiscal years Ended December 31
 Condensed, comparative, financial information (amounts in millions)

Description	2021	2020
Cash and short-term investments	\$ 80	\$ 66
Long-term investments	1,376	1,419
Other assets	47	50
Total assets	1,503	1,535
Total deferred outflows of resources	9	11
Securities lending obligations	16	14
Unearned revenue	36	35
Insurance loss liability	1,122	1,208
Other liabilities	88	116
Total liabilities	1,262	1,373
Total deferred inflows of resources	35	33
Total net position	\$ 215	\$ 140
Total operating revenues: Sales and services	\$ 94	\$ 92
Total operating expenses: Cost of sales and services	40	34
Operating income	54	58
Investment earnings	22	128
Investment expense	(1)	(1)
Net nonoperating revenue	21	127
Increase in net position	\$ 75	\$ 185

Fund Description: The SWIF operates for the purpose of providing workers' compensation insurance to employers, including those refused policies by private insurance firms.

Long-term investments decreased \$43. The change in long-term investments is typically directly related to two main factors: volatility of the financial markets and the amount of payments made to liquidate claims. The market conditions have not been as favorable as in prior years and loss liability claims are being paid much more quickly.

Insurance loss liability decreased \$86 due to favorable loss reserves development and continued efforts to execute Compromise and Release (C&R) agreements with claimants to reduce SWIF's overall liability on those claims. C&R agreements allow a claimant to opt to receive a lump sum payment as settlement of the claim benefits.

Investment earnings decreased \$106 primarily due to a decrease in net asset value (NAV) adjustments. SWIF's long-term investments in bonds are adjusted to fair market value (FMV) at year end. The cause of these adjustments are directly related to the financial market, which saw more favorable conditions in the bond market in prior fiscal year.

State Lottery Fund		
Condensed, comparative, financial information (amounts in millions)		
Description	2022	2021
Cash and short-term investments	\$ 525	\$ 447
Other assets	124	98
Total assets	649	545
Total deferred outflows of resources	26	26
Accounts payable	418	319
Other liabilities	118	230
Total liabilities	536	549
Total deferred inflows of resources	53	46
Total net position (deficit)	\$ 86	\$ (24)
Total operating revenues: Sales and services	\$ 5,127	\$ 5,456
Cost of sales and services	4,918	5,106
Other expenses	9	9
Total operating expenses	4,927	5,115
Operating income	200	341
Nonoperating revenues, net	1	—
Income before transfers	201	341
Transfers in	115	1
Transfers out	(206)	(236)
Transfers, net	(91)	(235)
Increase in net position	\$ 110	\$ 106

Fund Description: The State Lottery Fund receives the proceeds of all lottery sales and designates all of its net proceeds to programs that benefit older Pennsylvanians. These programs include shared rides and free transit, property tax and rent rebates, medical assistance for long-term care, the Pharmaceutical Assistance Contract for the Elderly (PACE), which provides assistance for the payment of prescription drugs, and PENNCARE, which provides a variety of community-based and in-home services, such as home health care; personal care; health support services such as housekeeping, shopping assistance, laundry and mending; respite care (caregiver relief); transportation and other routine household chores as necessary to maintain a consumer's health, safety and ability to remain in the home; and home-delivered meals prepared at a central location and delivered to a person's home.

Accounts payable increased \$99, primarily due to vendor settlement accruals for \$77. The settlement agreement accruals are related to a vendor name change which resulted in the inability to pay the vendor since March 2022. Additionally, there was an increase in unclaimed prizes of \$28, which are part of the prize liability piece of accounts payable. Prize liability was more than \$600 higher than in the prior year. The increase in the prize liability directly links to an expected increase in unclaimed prizes. This was partially offset by a \$17 decrease in goods received but not yet invoiced.

Other Liabilities decreased \$112. The decrease can be directly attributed to the \$89 decrease in due to other funds as a year end accrual was not required this year to help fund the Department of Human Services' Community Healthy Choices program. All payments were made prior to fiscal year end.

Total operating revenues: Sales and Services decreased \$329, which is directly attributable to a decrease in lottery sales after experiencing record lottery sales the year before. There is more competition as online sports betting continues to expand and become more prevalent.

Total operating expenses decreased \$188. Operating expenses have a strong correlation to operating revenues as the amount of payments for field paid prizes are directly related to lottery sales. The amount of field paid prizes and commissions decreased \$147 and \$43, respectively. Since sales have decreased, the vendor and retailer commissions have decreased as well.

Transfers in increased \$114 due to the transfer for the Property Tax and Rent Relief (PTRR) fund as transfers revert back to pre-pandemic activity. The PTRR helps ease the burden of home ownership by providing property tax assistance to senior citizens.

Tuition Payment Fund
Condensed, comparative, financial information (amounts in millions)

Description	2022	2021
Cash and short-term investments	\$ 141	\$ 119
Long-term investments	2,063	2,337
Other assets	14	157
Total assets	2,218	2,613
Securities lending obligations	56	43
Tuition benefits payable	1,664	1,664
Other liabilities	21	168
Total liabilities	1,741	1,875
Total net position	\$ 477	\$ 738
Total operating revenues: Sales and services	\$ 220	\$ 210
Total operating expenses: Cost of sales and services	265	247
Operating loss	(45)	(37)
Nonoperating revenues, net	(216)	311
Increase (decrease) in net position	\$ (261)	\$ 274

Fund Description: The Tuition Payment Fund is administered by the Tuition Account Guaranteed Savings Program Bureau, an office within the Commonwealth Treasury Department. The Fund provides Commonwealth residents the opportunity to prepay college tuition towards future education expenses at eligible educational institutions. An eligible educational institution is defined by the Internal Revenue Code. Commonwealth-owned and related universities and community colleges participate in the program. At June 30, 2022, 34 such institutions were participating. In addition, private institutions, which are defined as any private or out-of-state public post-secondary educational institution, are considered eligible for the program.

Total assets decreased \$395 primarily due to a decrease in investments held compared to the prior year. The portfolio's return (net of fees) was a negative 9.19% as of June 30, 2022 compared to 14.4% as of June 30, 2021.

Total liabilities decreased \$134, which is attributable to a reduction in pending investment purchases at year-end. Tuition benefits payable, an actuarially determined liability of the future tuition obligations, remained consistent with the prior year at \$1,664, in part due to decreases to tuition inflation assumptions offsetting lower utilization.

Total operating expenses: Cost of sales and services increased \$18 primarily due to an increase in tuition benefit expense. The program usage resulted in 15,363 beneficiaries using 520,256 credits during the fiscal year ended June 30, 2022, compared to 15,499 beneficiaries using 481,876 credits during the fiscal year ended June 30, 2021.

Nonoperating revenues, net decreased \$527 largely due to the end of fiscal year market fluctuation between May and June 2022.

Net position decreased \$261 from the prior year. At \$477, the plan is currently 128.06% funded.

State Stores Fund		
Condensed, comparative, financial information (amounts in millions)		
Description	2022	2021
Cash and investments	\$ 232	\$ 346
Inventory	210	217
Other assets	320	310
Total assets	762	873
Total deferred outflows of resources	208	234
Accounts payable	252	359
Pension and OPEB liabilities	894	1,077
Other liabilities	376	411
Total liabilities	1,522	1,847
Total deferred inflows of resources	433	389
Total net position (deficit)	\$ (985)	\$ (1,129)
Total operating revenues: Sales and services	\$ 2,439	\$ 2,343
Cost of sales and services	2,029	2,001
Other expenses	69	66
Total operating expenses	2,098	2,067
Operating income	341	276
Nonoperating revenues, net	(5)	(7)
Income before transfers	336	269
Transfers out	(192)	(190)
Increase in net position	\$ 144	\$ 79

Fund Description: The State Stores Fund serves as the operating fund for the Pennsylvania Liquor Control Board (PLCB). With about 600 state run stores throughout the Commonwealth, the PLCB generates revenue from the sale of wine and spirits, lottery commissions, various licensing fees, and fines. In addition, the PLCB is a wine wholesaler to holders of wine expanded permits which allows the convenience of wine sales to take place at private retailers. Profits from the State Stores Fund are used to fund the Pennsylvania State Police for their liquor law enforcement authority; support the Department of Drug and Alcohol Programs (DDAP), which provides funding to several local governments to offer drug and alcohol education; and to provide additional funding to the General Fund.

Cash and investments decreased \$114 primarily due to a decrease in cash flow from operations resulting in less funds available for cash deposits and short-term investment purchases.

Total Deferred outflows of resources decreased \$26 due to the amortization of prior year's changes in assumptions for pension and OPEB. Assumptions that change include a decrease in the discount rate offset by the mortality assumption update.

Accounts payable decreased \$107 due to a decrease in liquor invoice payable balances.

Pension and OPEB liabilities decreased \$183 due to a \$102 decrease in the PLCB's share of a \$3B decrease in the SERS Net Pension Liability, which was largely a result of increased investment earnings for the plan, and a \$81 decrease in PLCB's share of a \$1.9B decrease in the long-term REHP Net OPEB Liability primarily caused by an increase in the discount rate assumption and an experience gain due to favorable claims experience.

Total deferred inflows of resources increased \$44 due to an increase in the difference between projected and actual investment earnings.

Total operating revenues: Sales and services increased \$96 due to all COVID operational restrictions on bars and restaurants being lifted in the spring of 2021. The PLCB saw its mix of retail and licensee sales revert back to pre-pandemic levels.

Cost of sales and services increased \$28 primarily due to increases in personnel costs because of implementing a higher minimum wage rate, depreciation expenses, Commonwealth provided services, and credit card services.

Commonwealth Financing Authority
Condensed, comparative, financial information (amounts in millions)

Description	2022	2021
Current assets	\$ 973	\$ 982
Noncurrent assets	273	274
Total assets	1,246	1,256
Total deferred outflows of resources	1	1
Current liabilities	177	155
Noncurrent liabilities	4,338	4,507
Total liabilities	4,515	4,662
Total deferred inflows of resources	13	14
Total net position (deficit)	\$ (3,281)	\$ (3,419)
Operating revenues, net of uncollectibles	\$ 5	\$ 8
Operating expenses	137	160
Operating loss	(132)	(152)
Nonoperating expenses, net	(183)	(184)
Loss before transfers	(315)	(336)
Transfers, net	453	106
Increase (decrease) in net position	\$ 138	\$ (230)

Fund Description: The purpose of the Commonwealth Financing Authority (CFA) is to provide financial assistance through bond issuance proceeds distributed in the form of loans, loan guarantees, grants and private equity participating loans to promote the health, safety, employment, business opportunities, and economic activity of the Commonwealth.

CFA is a blended component unit of the Commonwealth, and since inception, the CFA has issued 22 revenue bonds totaling \$7.6 billion to promote economic growth in the Commonwealth. Payments of principal and interest due on outstanding debt are appropriated and transferred from the primary government annually.

Current assets decreased \$9 caused by a reduction in monies owed from other funds. There was a \$43.2 million decrease in cash and cash equivalents which was mostly offset by a \$37.1 million increase in funds due from primary government.

Total liabilities decreased \$147 due in part to a decrease in long-term debt, as there were no new bond issuances this fiscal year and regular amortized principal payments were made on outstanding bonds. Current liabilities are

higher due to a \$15.6 million increase in current portion of loan guarantee payable. In terms of total liabilities, the increase in the current portion of loan guarantee payable is offset by a \$14.9 million decrease in noncurrent loan guarantee payable. At the end of 2022, the total outstanding debt for CFA stood at \$4,480.

Operating expenses decreased \$23 primarily due to a \$20 decrease in grants expenses, which is in line with the Authority's purpose.

Transfers, net includes \$458 in transfers from other funds, comprised of \$339 for debt services, \$65 in gaming and local share monies, and \$54 to fund approved projects of the Multimodal Transportation Program. The Authority also transferred monies to the Commonwealth totaling \$5 to fund the Angel Investor Program.

Net Position increased by \$138 primarily due to a decrease in long-term debt as there were no new bonds issuance this fiscal year.

Section E: Budget Analysis Overview

**General Fund Budgetary Basis
Comparison between original budget and final budget**
(Amounts in millions)

The Budgetary Comparison Schedule for the General Fund for the fiscal year ended June 30, 2022 is presented immediately following the Notes to the Financial Statements section of the ACFR. In the final budget, state program revenues were adjusted to the revised revenue estimates anticipated to be received by the end of the fiscal year, and were anticipated to be sufficient to fund all 2021-2022 original and supplemental appropriation requests.

The difference in total state program revenues from the original to the final budget was due to an increase of \$2,417 in tax revenues, an increase of \$6 in nontax revenues and an increase of \$125 in refunds, resulting in a net increase of \$2,298.

Final federal revenues and corresponding expenditures were \$8,022 more than originally budgeted primarily due to funding received in the Department of Human Services, which totaled \$6,535. Other increases include \$499 in the Department of Community and Economic Development, \$366 in the Pennsylvania Emergency Management Agency, \$220 in the Department of Environmental Protection, \$203 in the Department of Health, \$195 in the Department of Education, \$104 in the Executive Offices, a combined \$179 in other agencies of the Commonwealth and a decrease of \$279 in the Department of Transportation.

**General Fund Budgetary Basis
Comparison between final budgeted and actual results**
(Amounts in millions)

In the actual budgetary basis, state program revenues were adjusted to actual revenues received by the fiscal year-end. Final budgeted state program revenues sufficiently funded all 2021-2022 original state appropriations. Supplemental appropriations passed on July 8, 2022 by Act 1A resulted in a \$758 increase to state appropriations and a \$4,030 increase in federal appropriations, with supplemental appropriations effective as of the fiscal year ended June 30, 2022.

Actual total state revenues were \$3,175 more than the final budgeted state revenues due to increases in both tax \$3,064 and nontax \$111 revenues actually received. The \$131 increase in departmental services is mainly attributable to increased receipts in the Judiciary, Department of Human Services, the State Treasury and other agencies offset by decreases in the Departments of General Services, Environmental Protection, Health, the Executive Offices and other agencies resulting in the net increase of \$3,306 in state program revenues.

The difference of \$131 in actual state program expenditures under the final budget is the result of the increase available from departmental services.

Section F: Capital Asset and Long-term Debt Activity

Capital Asset Overview and Explanation

Throughout the fiscal year, Commonwealth agencies acquire or construct capital assets. In governmental fund financial statements, expenditures for capital assets are typically reported as capital outlay. General capital assets of the Commonwealth are those used in the performance of specific governmental functions with useful lives greater than one year. General capital assets are reported as part of governmental activities in government-wide financial statements. Capital assets of proprietary funds are reported in both proprietary fund financial statements and government-wide financial statements. Fiduciary fund capital assets are reported in fiduciary fund financial statements; fiduciary funds are not included in government-wide financial statements.

Funding for construction of buildings and related improvements is almost entirely provided by proceeds of general obligation (GO) bonds issued; such proceeds are generally accounted for in capital projects funds in governmental fund financial statements as an other financing source. In the government-wide financial statements, bond proceeds are reported as additions to long-term GO bond liabilities. Construction project expenditures and cumulative construction-in-progress expenditures at fiscal year-end are reported as part of general capital assets. Highway and bridge infrastructure assets are typically funded with Motor License Fund taxes, license and registration fees, transfers from the Pennsylvania Turnpike Commission, and federal revenues. The Motor License Fund reports transportation and capital outlay expenditures in its governmental fund financial

statements; a portion of such expenditures are reported as additions to capital assets in government-wide financial statements.

In government-wide and proprietary fund financial statements, depreciation/amortization expense for capital assets is reported to recognize the cost of "using up" capital assets over their estimated useful lives. In other words, depreciation/amortization expense is an allocation of an asset's cost over its estimated useful life and is reported in the government-wide financial statements. This treatment differs from reporting capital outlay as 'current expenditures' in governmental fund financial statements. Depreciation expense of highway and bridge infrastructure and other capital assets is not related to the quality or relative value of these assets; rather, as previously mentioned, it is a specific accounting treatment to recognize the cost of "using up" the assets over periods of time. The estimated useful lives of highway and bridge infrastructure capital assets are 25 years for highways and 50 years for bridges. Neither land nor construction-in-progress assets are considered depreciable; therefore, no depreciation expense is reported for those assets.

Note 1 in the notes to the financial statements section of the ACFR discusses capital assets significant accounting policies.

Note 4 in the notes to the financial statements section of the ACFR provides more information on capital asset activities during the fiscal year ended June 30, 2022.

Long-term Debt Overview – fiscal year ended June 30, 2022

(Amounts in millions)

The constitution of the Commonwealth of Pennsylvania permits the incurrence of debt, without approval of the electorate, for capital projects specifically authorized in a capital budget. Capital project debt outstanding cannot exceed one and three quarters (1.75) times the average of the annual tax revenues deposited in all funds during the previous five fiscal years. The Commonwealth's constitutional debt limit, which allows for the incurrence of debt to be used for capital projects without electorate approval as specifically itemized in a capital budget, was \$79.9 billion as of August 31, 2022 with net debt outstanding after credit for refunded debt of \$9 billion for a remaining legal debt margin of \$70.9 billion. In addition to constitutionally authorized capital project debt, the Commonwealth may incur debt for electorate-approved programs, such as economic revitalization, land and water development, water facilities restoration, and certain environmental initiatives; and for special purposes approved by the General Assembly, such as disaster relief.

At June 30, 2022, the Commonwealth had total General Obligation Bond principal outstanding of \$10.1 billion for the following purposes:

\$	6,018	Capital Facilities Bonds
	3,872	Refunding Bonds
	213	Electorate Approved Debt (various)

During the fiscal year ended June 30, 2022, debt service fund transfers were paid primarily from the General Fund, the Motor License Fund, and the Gaming Fund in the amounts of \$1,103, \$128, and \$37 respectively, to make principal and interest payments to bondholders.

Note 6 in the notes to the financial statements section of the ACFR provides more details on long-term debt balances and activity.

Debt Administration – fiscal year ending June 30, 2023

(Amounts in millions)

During the fiscal year ending June 30, 2023, the Office of the Budget currently plans general obligation bond issuances, excluding refundings, amounting to \$2,310. This amount is higher than in previous years as the Commonwealth did not issue bonds in the fiscal year ended June 30, 2022 and plans two issuances in the fiscal year ending June 30, 2023. The Commonwealth issued \$1,000 in new money bonds on September 22, 2022 and plans to issue \$1,310 in new moneys in the second half of the fiscal year. The current plan reflects the need to make continued investments in the Commonwealth's capital infrastructure, local capital projects and mass transportation infrastructure.

Debt principal retirements of \$866 are currently planned for the fiscal year ending June 30, 2023. The Commonwealth continues to evaluate refunding opportunities for its outstanding bonds to reduce interest costs.

In addition to general obligation bonds, the Commonwealth may issue tax anticipation notes to meet operating cash needs during certain months of the fiscal year. Tax anticipation notes may be issued only for the General Fund and the Motor License Fund. They may not exceed 20% of the funds' estimated revenues for the fiscal year and must mature during the fiscal year in which they were issued. Cash shortages may occur during the fiscal year because tax receipts, unlike cash disbursements, are concentrated in the last four months of the fiscal year.

The Commonwealth does not anticipate issuing a tax anticipation note for fiscal year ending 2023. In addition to issuing tax anticipation notes, the Commonwealth may obtain a short-term investment line of credit with the Pennsylvania Treasury Department. All amounts drawn using the lines of credit must be returned with interest in the same fiscal year in which the draw occurred. The Commonwealth does not anticipate obtaining a line of credit for the fiscal year ending in 2023.

The capital budget for the fiscal year ending June 30, 2022 was enacted on May 26, 2022. Due to the timing of the passage of the capital budget, the Commonwealth needed to use an investment line of credit with the Pennsylvania Treasury Department to provide funding for the Capital Facilities Fund until bonds could be issued. On July 27, 2022, the Commonwealth drew \$300 on the line of credit that was repaid on September 23, 2022 with the issuance of the Commonwealth of Pennsylvania, General Obligation Bonds, First Series 2022.

There were no debt limitations, restrictions or commitments during the fiscal year ended June 30, 2022 that may affect the Commonwealth's plans during the fiscal year ending June 30, 2023. The Commonwealth's planned issuance for the fiscal year ending June 30, 2023 is dependent on the passage of an annual capital budget by the state legislature. No current fiscal year capital budget has been passed as of October 19, 2022.

Section G: Currently Known Facts

(Amounts in whole dollars)

COVID-19 Pandemic

On May 20, 2021, the Commonwealth's COVID-19 related Proclamation of Disaster Emergency, which was first issued on March 6, 2020 and last amended on February 19, 2021, expired. The pandemic continues to impact the Commonwealth's overall operations and financial position.

The American Rescue Plan Act of 2021 (ARPA) provided state and local governments with additional pandemic relief in the form of State and Local Fiscal Recovery Funds (SLFRF), which allows governments' broad discretion in mitigating the pandemic impacts including the government's own revenue losses. The Commonwealth received \$7.3 billion in SLFRF funds in May 2021 and as of June 30, 2022, \$2.3 billion remains unspent. The funds are anticipated to be fully utilized by the December 31, 2024 federal deadline.

In recognition of the fact that the ongoing COVID-19 pandemic may have reduced an employee's normal opportunities to schedule and use excess annual leave, the Commonwealth's administration reached an agreement with its unions to process payments to employees for their excess annual leave. Employees with unused 2020 and 2021 annual leave at October 29, 2022 were given 3 options: Option 1 allowed employees to receive payment for their excess annual leave, Option 2 allowed employees to convert unused annual leave to sick leave and Option 3 gave employees the opportunity to donate their excess annual leave to employees who have a catastrophic or severe illness or injury and are approved to receive leave donations through the Leave Donation Program. \$26.3 million was paid out during fiscal year 2022-23 related to this agreement.



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Basic Financial Statements

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Government-wide Financial Statements

Commonwealth of Pennsylvania
Statement of Net Position
June 30, 2022

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current assets:				
Cash—Note 2, 16	\$ 164,360	\$ 1,145,958	\$ 1,310,318	\$ 2,829,716
Cash with fiscal agents—Note 2	20,064	87,654	107,718	—
Temporary investments—Note 2, 16	28,463,794	1,085,735	29,549,529	4,051,268
Receivables (net):				
Taxes—Note 3	2,840,932	—	2,840,932	—
Unemployment assessments	—	626,263	626,263	—
Accounts	1,974,355	280,729	2,255,084	293,654
Investment earnings	26,112	14,317	40,429	7,437
Interest on notes and loans	30	14,387	14,417	113,642
Loans—Note 3, 16	15,846	44,591	60,437	854,807
Lease rentals—Note 3	509	12,044	12,553	1,061
Investment sale proceeds	3,301	8,298	11,599	—
Other	142,328	8	142,336	60,561
Due from pension trust funds—Note 5	9,615	—	9,615	—
Due from primary government—Note 5	—	—	—	21,567
Due from component units—Note 5	25,415	—	25,415	1,275
Due from Federal Government	7,503,188	23,513	7,526,701	10,063
Due from political subdivisions	5,662	5,106	10,768	—
Due from other governments	2,874	10,645	13,519	—
Inventory	137,014	209,650	346,664	21,387
Prepaid expenses	—	2,117	2,117	56,220
Other assets	3,000	34,981	37,981	32,461
Total current assets	<u>41,338,399</u>	<u>3,605,996</u>	<u>44,944,395</u>	<u>8,355,119</u>
Noncurrent assets:				
Restricted cash—Note 2	—	315	315	55,772
Long-term investments—Note 2, 16	2,596,336	3,631,018	6,227,354	2,941,222
Receivables (net):				
Taxes—Note 3	1,743,248	—	1,743,248	—
Loans—Note 3, 16	34,624	409,906	444,530	8,859,485
Lease rentals—Note 3	3,501	119,988	123,489	14,546
Due from component units—Note 5	56,337	—	56,337	—
Non-depreciable capital assets—Note 4, 16:				
Land	3,497,159	237,806	3,734,965	510,453
Construction in progress	5,737,215	2,792	5,740,007	1,582,564
Depreciable or amortizable capital assets—Note 4, 16:				
Land improvements	1,189,909	172,458	1,362,367	552,578
Buildings and building improvements	9,419,565	608,946	10,028,511	5,710,591
Machinery and equipment	2,059,995	261,416	2,321,411	1,443,939
Turnpike infrastructure	—	—	—	10,107,010
Highway infrastructure	37,877,409	—	37,877,409	—
Bridge infrastructure	19,260,232	—	19,260,232	—
Waterway infrastructure	36,298	—	36,298	—
Infrastructure-other	274,453	—	274,453	—
Library books	—	—	—	70,613
Other capital assets	—	—	—	13
Intangible right-to-use leases	1,437,502	384,876	1,822,378	120,442
Other intangible assets	1,259,957	61,552	1,321,509	84,082
Less: accumulated depreciation and amortization	(38,478,810)	(652,478)	(39,131,288)	(9,931,037)
Net depreciable or amortizable capital assets	<u>34,336,510</u>	<u>836,770</u>	<u>35,173,280</u>	<u>8,158,231</u>
Other assets	—	9,237	9,237	1,129,315
Total noncurrent assets	<u>48,004,930</u>	<u>5,247,832</u>	<u>53,252,762</u>	<u>23,251,588</u>
TOTAL ASSETS	<u>89,343,329</u>	<u>8,853,828</u>	<u>98,197,157</u>	<u>31,606,707</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3, 6, 9, 10, 16	<u>\$ 7,709,542</u>	<u>\$ 282,737</u>	<u>\$ 7,992,279</u>	<u>\$ 982,583</u>

Commonwealth of Pennsylvania
Statement of Net Position
June 30, 2022

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 12,763,147	\$ 828,183	\$ 13,591,330	\$ 619,584
Investment purchases payable	11,858	15,178	27,036	—
Tax refunds payable	728,420	—	728,420	—
Tuition benefits payable—Note 6	—	319,387	319,387	—
Securities lending obligations	86,348	80,423	166,771	36,356
Internal balances—Note 5	100,871	(101,388)	(517)	—
Due to pension trust funds—Note 5	209,533	3,987	213,520	—
Due to primary government—Note 5	—	—	—	26,547
Due to component units—Note 5	7,630	35	7,665	1,275
Due to political subdivisions	2,534,690	4,635	2,539,325	—
Due to other governments	43,015	141,774	184,789	2
Interest payable	151,114	15,803	166,917	372,450
Unearned revenue	2,609,492	40,634	2,650,126	175,076
Notes payable—Note 16	—	—	—	192,476
General obligation bonds payable—Note 6	866,275	—	866,275	—
Bonds Payable—Note 16	—	—	—	123,800
Revenue bonds payable—Note 6, 16	—	143,900	143,900	464,021
Self-insurance liabilities—Note 6, 8	114,573	5,581	120,154	7,941
Compensated absence liability—Note 6, 16	178,034	8,742	186,776	31,349
Insurance loss liability—Note 6	—	125,278	125,278	—
Other financing obligations—Note 6	26,305	—	26,305	6,582
Other postemployment benefit liability—Note 10, 16	79,571	316	79,887	37,462
Nonexchange financial guarantees—Note 14	—	16,509	16,509	—
Installment purchase liability—Note 6	1,237	—	1,237	—
Lease liability—Note 6	131,682	57,958	189,640	17,483
Other liabilities—Note 6	559,102	19,696	578,798	353,403
Total current liabilities	21,202,897	1,726,631	22,929,528	2,465,807
Noncurrent liabilities:				
Tuition benefits payable—Note 6	—	1,345,205	1,345,205	—
Due to primary government—Note 5	—	—	—	56,736
Unearned revenue	—	—	—	1,227
Student loan auction rate security bonds payable—Note 16	—	—	—	4,200
Insurance loss liability—Note 6	—	997,395	997,395	—
Notes payable—Note 16	—	—	—	2,466,168
General obligation bonds payable—Note 6	9,801,471	—	9,801,471	—
Bonds Payable—Note 16	—	—	—	2,580,458
Revenue bonds payable—Note 6, 16	—	4,336,460	4,336,460	20,538,318
Other financing obligations—Note 6, 16	483,656	—	483,656	21,521
Compensated absence liability—Note 6, 16	737,981	37,420	775,401	170,721
Self-insurance liabilities—Note 6, 8	897,998	46,901	944,899	51,213
Other postemployment benefit liability—Note 10, 16	18,809,756	603,167	19,412,923	2,165,050
Nonexchange financial guarantees—Note 14	—	1,542	1,542	—
Net pension liability—Note 9, 16	12,038,014	512,385	12,550,399	1,183,662
Installment purchase liability—Note 6	1,533	—	1,533	—
Lease liability—Note 6	1,016,881	211,178	1,228,059	236,792
Other liabilities—Note 6	2,075,161	315	2,075,476	854,352
Total noncurrent liabilities	45,862,451	8,091,968	53,954,419	30,330,418
TOTAL LIABILITIES	67,065,348	9,818,599	76,883,947	32,796,225
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3, 6, 9, 10, 16	11,654,767	733,034	12,387,801	1,667,851
NET POSITION—Note 15				
Net investment in capital assets	36,402,101	808,232	37,210,333	50,439
Restricted for:				
Health-related programs	84,711	—	84,711	37,307
Transportation	1,924,507	132,341	2,056,848	—
Capital projects	—	—	—	4,674,668
Debt service	—	—	—	550,533
Unemployment/worker's compensation	831,812	1,167,595	1,999,407	—
Elderly programs	—	44,566	44,566	—
Environmental and conservation programs	351,465	—	351,465	—
Economic development	15,059	24,648	39,707	125,539
Gaming/horse racing regulation	893,432	—	893,432	—
Emergency support	107,115	128,140	235,255	—
Higher education	—	477,033	477,033	720,749
Beneficiaries	504,060	—	504,060	—
Human services	341,133	—	341,133	—
Public protection	48,800	—	48,800	—
Other purposes	—	156,333	156,333	616,750
Unrestricted	(23,171,439)	(4,353,956)	(27,525,395)	(8,650,771)
TOTAL NET POSITION (DEFICIT)	\$ 18,332,756	\$ (1,415,068)	\$ 16,917,688	\$ (1,874,786)

- The notes to the financial statements are an integral part of this statement -



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Fund Financial Statements

Commonwealth of Pennsylvania

Balance Sheet

Governmental Funds

June 30, 2022

(Amounts in thousands)

	General Fund	Motor License Fund	Nonmajor Funds	Total
ASSETS				
Cash—Note 2	\$ 107,945	\$ 10,262	\$ 45,286	\$ 163,493
Cash with fiscal agents—Note 2	14,128	—	5,936	20,064
Temporary investments—Note 2	21,288,299	1,893,496	5,245,561	28,427,356
Long-term investments—Note 2	188,573	169,207	2,220,046	2,577,826
Receivables (net):				
Taxes—Note 3	4,257,153	294,566	32,461	4,584,180
Accounts	1,670,949	39,190	263,554	1,973,693
Investment earnings	16,235	1,484	8,362	26,081
Interest on notes and loans	30	—	—	30
Loans—Note 3	50,469	—	—	50,469
Investment sale proceeds	—	—	3,301	3,301
Lease Rentals—Note 3	3,748	—	262	4,010
Other	120,666	21,662	—	142,328
Due from other funds—Note 5	377,319	181,551	228,946	787,816
Due from pension trust funds—Note 5	646	3,382	1	4,029
Due from component units—Note 5	71,743	206	9,736	81,685
Due from Federal Government	7,126,845	332,984	43,359	7,503,188
Due from political subdivisions	3,813	1,832	3	5,648
Due from other governments	—	2,801	63	2,864
Advances to other funds—Note 5	4,475	—	366,500	370,975
Other assets	3,000	—	—	3,000
TOTAL ASSETS	\$ 35,306,036	\$ 2,952,623	\$ 8,473,377	\$ 46,732,036
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 11,602,997	\$ 688,109	\$ 427,571	\$ 12,718,677
Investment purchases payable	—	—	11,858	11,858
Tax refunds payable	726,633	1,787	—	728,420
Securities lending obligations	7,784	7,062	70,733	85,579
Due to other funds—Note 5	360,435	61,439	493,897	915,771
Due to component units—Note 5	2,419	119	5,094	7,632
Due to pension trust funds—Note 5	195,691	9,348	4,129	209,168
Due to political subdivisions	2,277,278	79,762	177,647	2,534,687
Due to other governments	12,937	29,107	895	42,939
Unearned revenue—Note 3	2,475,736	53,241	80,515	2,609,492
Advances from other funds—Note 5	350,000	5,077	16,500	371,577
Other liabilities	481,089	—	—	481,089
TOTAL LIABILITIES	18,492,999	935,051	1,288,839	20,716,889
Deferred inflows of resources:				
TOTAL DEFERRED INFLOWS OF RESOURCES - Note 3	3,441,802	—	176,519	3,618,321
Fund balances—Note 15:				
Nonspendable	80,856	—	—	80,856
Restricted	279,639	2,017,572	6,660,737	8,957,948
Committed	5,743,068	—	463,245	6,206,313
Assigned	23,458	—	—	23,458
Unassigned (deficit)	7,244,214	—	(115,963)	7,128,251
TOTAL FUND BALANCES	13,371,235	2,017,572	7,008,019	22,396,826
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 35,306,036	\$ 2,952,623	\$ 8,473,377	\$ 46,732,036

- The notes to the financial statements are an integral part of this statement -

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Commonwealth of Pennsylvania
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position

June 30, 2022

(Amounts in thousands)

The governmental funds balance sheet reports total fund balance for all governmental funds. In the governmental activities column in the statement of net position, amounts are reported for all governmental funds and are adjusted to account for specific items that are treated differently on the statement of net position than on the governmental funds balance sheet. Under the modified accrual basis of accounting, numerous governmental assets are deferred because they may not be "available," (that is, they are not current financial resources) and, similarly, numerous governmental liabilities are not reported because they are not due and payable until after fiscal year-end. The following reconciliation begins with total governmental funds fund balance and ends with total net position for governmental activities. It includes all of the adjustments made to "convert" governmental fund information in the fund financial statements to governmental activities information in the statement of net position.

Total Fund Balances—Governmental Funds \$ **22,396,826**

General capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds balance sheet. These assets consist of:

Land	\$ 3,497,159	
Land improvements	1,189,717	
Buildings and building improvements	9,413,139	
Machinery and equipment	1,906,813	
Infrastructure	57,448,392	
Intangible right-to-use leases	1,125,891	
Other intangible assets	1,259,957	
Construction in progress	5,737,215	
Accumulated depreciation and amortization	<u>(38,327,194)</u>	
Net general capital assets		43,251,089

Certain revenues are earned but not available at fiscal year-end, and therefore, are reported as deferred inflows of resources in the governmental funds balance sheet 3,614,090

Debt refunding losses are recognized as deferred outflows of resources and debt refunding gains are reported as deferred inflows of resources in the governmental activities statement of net position (48,118)

Other miscellaneous adjustments that are not reported in the governmental funds balance sheet but are reported in the statement of net position 11

Internal service funds are proprietary in nature and charge the costs of certain goods and services to governmental funds. Therefore, the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in the statement of net position as governmental activities (24,547)

The statement of net position includes inventories that are not reported in the governmental funds balance sheet because they are not current financial resources 117,392

The statement of net position includes net pension liabilities for the governmental funds that are considered long-term, and therefore, are not reported in the governmental funds balance sheet. These include the net pension liability and associated deferred outflows of resources and deferred inflows of resources related to these pension obligations..... (13,039,030)

Commonwealth of Pennsylvania
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position

June 30, 2022

(Amounts in thousands)

The statement of net position includes other postemployment benefit liabilities for the governmental funds that are considered long-term, and therefore, are not reported in the governmental funds balance sheet. These include the other postemployment benefit liability and associated deferred outflows of resources and deferred inflows of resources related to other postemployment benefits..... (21,841,903)

The statement of net position includes asset retirement obligations for the governmental funds that are considered long-term, and therefore, are not reported in the governmental funds balance sheet. These include the asset retirement obligation liability and associated deferred outflows of resources related to asset retirement obligations..... 164,794

Certain general long-term liabilities are not due and payable at fiscal year-end, and therefore, are not reported in the governmental funds balance sheet.

These liabilities are:

Bonds payable	\$	(10,667,746)	
Accrued interest payable		(151,114)	
Lease and installment purchase liabilities		(854,162)	
Compensated absence liability		(912,580)	
Self-insurance liabilities		(1,009,111)	
Other financing obligations		(509,961)	
Other liabilities		<u>(2,153,174)</u>	
			<u>(16,257,848)</u>

Total Net Position—Governmental Activities **\$ 18,332,756**

- The notes to the financial statements are an integral part of this statement. -

Commonwealth of Pennsylvania
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	General Fund	Motor License Fund	Nonmajor Funds	Total
REVENUES:				
Taxes, net of refunds	\$ 42,501,943	\$ 3,598,713	\$ 3,512,147	\$ 49,612,803
Licenses and fees	700,574	1,150,205	1,430,319	3,281,098
Intergovernmental	50,428,297	2,109,196	819,803	53,357,296
Charges for sales and services	4,137,369	95,290	622,543	4,855,202
Investment earnings	21,541	(13,821)	(243,586)	(235,866)
Interest on notes and loans	607	—	3	610
Other	420,630	6,348	262,615	689,593
TOTAL REVENUES	98,210,961	6,945,931	6,403,844	111,560,736
EXPENDITURES:				
Current:				
Direction and supportive services	1,317,608	31,951	470,072	1,819,631
Protection of persons and property	5,567,082	786,121	982,337	7,335,540
Health and human services	57,923,444	—	698,853	58,622,297
Public education	20,434,292	300	645,781	21,080,373
Recreation and cultural enrichment	353,066	7,450	292,751	653,267
Economic development	788,580	175	672,435	1,461,190
Transportation	85,971	2,693,484	1,676,551	4,456,006
Capital outlay	464,451	2,574,906	507,751	3,547,108
Debt service:				
Principal retirement	24,900	—	872,021	896,921
Interest and fiscal charges	43,788	745	471,144	515,677
TOTAL EXPENDITURES	87,003,182	6,095,132	7,289,696	100,388,010
EXCESS/(DEFICIENCY) OF REVENUES				
OVER/(UNDER) EXPENDITURES	11,207,779	850,799	(885,852)	11,172,726
OTHER FINANCING SOURCES (USES):				
Transfers in—Note 5	438,104	21,508	1,796,173	2,255,785
Transfers out—Note 5	(1,611,647)	(162,759)	(676,679)	(2,451,085)
Leases and installment purchases	263,973	589	13,968	278,530
NET OTHER FINANCING				
SOURCES (USES)	(909,570)	(140,662)	1,133,462	83,230
NET CHANGE IN FUND BALANCES	10,298,209	710,137	247,610	11,255,956
FUND BALANCES, JULY 1, 2021	3,073,026	1,307,435	6,760,409	11,140,870
FUND BALANCES, JUNE 30, 2022	\$ 13,371,235	\$ 2,017,572	\$ 7,008,019	\$ 22,396,826

- The notes to the financial statements are an integral part of this statement -

Commonwealth of Pennsylvania

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund

Balances-Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

The governmental funds statement of revenues, expenditures and changes in fund balances reports events and activities that affect, on a current financial resources basis, fund balance changes during the fiscal year. The governmental activities column on the government-wide statement of activities conveys information on an economic resources basis. In effect, the government-wide statement demonstrates all expenses and revenues related to the operation of the government for the fiscal year ended June 30, 2022. Expenses such as depreciation and certain claims and judgments and revenues that may not be collected for several months after fiscal year-end are included in the government-wide statement but are not included in the governmental funds statement. This reconciliation reports all economic events during the fiscal year that appear on the government-wide statement of activities but are not included in the governmental funds statement.

Net change in total fund balances of governmental funds..... \$ **11,255,956**

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

Capital outlays are reported as expenditures in governmental funds; however, in the government-wide statements, capital outlays are reported as increases in capital assets (not expenses), and the cost of general capital assets is allocated over their estimated useful lives and reported as depreciation expense. All depreciation is reported as part of functional program expenses. The current amounts were:

Capital asset acquisitions	\$ 3,547,108	
Depreciation expense and losses on retirement or sale of assets	(2,575,961)	
Lease, installment purchase and related payments	133,724	
Net excess of capital asset additions/installment purchase payments over depreciation expense		1,104,871

Long-term debt proceeds provide current financial resources to governmental funds; however, issuing long-term debt increases general long-term liabilities in the statement of net position. During the current fiscal year, these proceeds were received from capital lease and installment purchase financing. (278,530)

Repayment of general long-term liabilities is reported as an expenditure in governmental funds, but the repayment reduces general long-term liabilities in the statement of net position. During the current fiscal year this amount consisted of retirement of bond principal: 896,921

Internal service funds charge the costs of certain goods and services to individual funds. The net gain of the internal service funds is reported as part of governmental activities expenses. 6,304

Certain tax and other revenues due by fiscal year-end will not be collected for several months or years after fiscal year-end; they are not considered available revenues in the governmental funds, but they are reported as revenues in the statement of activities. (211,707)

Certain expense adjustments are reported in the statement of activities because they are not due and payable and are funded with future economic resources rather than current available financial resources. 2,996,924

Net change in governmental net position in the statement of activities **\$ 15,770,739**

- The notes to the financial statements are an integral part of this statement -

Commonwealth of Pennsylvania
Statement of Net Position
Proprietary Funds

June 30, 2022

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2021)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	Internal Service Funds
ASSETS									
Current assets:									
Cash—Note 2	\$ 245,881	\$ 627	\$ 202	\$ 6,224	\$ 33,730	\$ 841,910	\$ 17,384	\$ 1,145,958	\$ 865
Cash with fiscal agents	87,653	—	—	—	—	—	1	87,654	—
Temporary investments—Note 2	34,417	79,175	524,604	135,208	198,354	—	113,977	1,085,735	36,442
Receivables (net):									
Unemployment assessments	626,263	—	—	—	—	—	—	626,263	—
Accounts	186,915	33,288	50,777	—	8,429	—	1,320	280,729	661
Investment earnings	26	7,709	401	6,106	—	—	75	14,317	30
Interest on loans	11,996	—	—	—	—	1,338	1,053	14,387	—
Loans—Note 3	—	—	—	—	—	17,682	26,909	44,591	—
Lease rental—Note 3	—	—	—	—	—	—	12,044	12,044	—
Investment sale proceeds	—	—	—	8,298	—	—	—	8,298	—
Other	—	—	—	6	—	—	2	8	—
Due from other funds—Note 5	290	—	1,173	—	3	112,230	8,411	122,107	32,095
Due from pension trust funds—Note 5	—	—	—	—	—	—	—	—	5,586
Due from component units—Note 5	—	—	—	—	—	—	—	—	69
Due from Federal Government	23,349	—	—	—	—	—	164	23,513	—
Due from political subdivisions	5,106	—	—	—	—	—	—	5,106	15
Due from other governments	10,585	—	—	—	—	—	60	10,645	10
Advances to other funds—Note 5	—	—	—	—	—	—	2,902	2,902	—
Inventory	—	—	—	—	209,646	—	4	209,650	19,622
Prepaid expenses	—	—	—	—	969	—	1,148	2,117	—
Other assets	—	5,939	29,042	—	—	—	—	34,981	—
Total current assets	1,232,481	126,738	606,199	155,842	451,131	973,160	185,454	3,731,005	95,395
Noncurrent assets:									
Restricted cash	—	—	—	—	—	—	315	315	—
Long-term investments—Note 2	—	1,375,885	3	2,063,372	—	—	191,758	3,631,018	18,509
Receivables (net):									
Loans—Note 3	—	—	—	—	—	273,389	136,517	409,906	—
Lease rentals—Note 3	—	—	—	—	—	—	119,988	119,988	—
Non-depreciable capital assets—Note 4:									
Land	—	—	—	—	323	—	237,483	237,806	—
Construction in progress	—	—	—	—	—	—	2,792	2,792	—
Depreciable or amortizable capital assets—Note 4:									
Land improvements	—	—	—	—	—	—	172,458	172,458	192
Buildings and building improvements	—	—	—	—	10,972	—	597,974	608,946	6,426
Machinery and equipment	—	1,130	131,237	—	51,066	—	77,983	261,416	153,182
Intangible right-to-use leases	—	126	5,075	—	379,432	—	243	384,876	311,611
Other intangible assets	6,558	—	—	—	54,994	—	—	61,552	—
Less: accumulated depreciation and amortization	(710)	(1,253)	(93,482)	—	(185,000)	—	(372,033)	(652,478)	(151,616)
Net depreciable or amortizable capital assets	5,848	3	42,830	—	311,464	—	476,625	836,770	319,795
Other assets	—	—	—	—	—	—	9,237	9,237	—
Total noncurrent assets	5,848	1,375,888	42,833	2,063,372	311,787	273,389	1,174,715	5,247,832	338,304
TOTAL ASSETS	1,238,329	1,502,626	649,032	2,219,214	762,918	1,246,549	1,360,169	8,978,837	433,699
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3, 6, 9, 10	\$ 18,526	\$ 8,988	\$ 26,729	\$ —	\$ 209,377	\$ 1,192	\$ 17,925	\$ 282,737	\$ 20,539

Commonwealth of Pennsylvania
Statement of Net Position
Proprietary Funds

June 30, 2022

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2021)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	Internal Service Funds
LIABILITIES									
Current liabilities:									
Accounts payable and accrued liabilities	\$ 123,902	\$ 7,594	\$ 417,684	\$ 5,920	\$ 251,117	\$ 62	\$ 21,904	\$ 828,183	\$ 44,477
Investment purchases payable	—	—	—	15,178	—	—	—	15,178	—
Tuition benefits payable—Note 6	—	—	—	319,387	—	—	—	319,387	—
Securities lending obligations	—	16,118	—	56,302	—	—	8,003	80,423	772
Due to other funds—Note 5	50	—	923	37	19,078	661	278	21,027	4,406
Due to pension trust funds—Note 5	7	—	368	—	3,448	—	164	3,987	365
Due to component units—Note 5	—	—	—	—	—	—	35	35	—
Due to political subdivisions	—	—	4,602	—	—	—	33	4,635	5
Due to other governments	138,903	—	1,873	—	971	—	27	141,774	76
Interest payable	—	—	—	—	—	15,803	—	15,803	—
Unearned revenue	—	36,214	2,634	—	—	—	1,786	40,634	—
Revenue bonds payable—Note 6	—	—	—	—	—	143,900	—	143,900	—
Self-insurance liabilities—Note 8	8	76	170	—	5,203	—	124	5,581	368
Compensated absences—Note 6	—	437	708	—	7,077	—	520	8,742	653
Insurance loss liability—Note 6	—	125,278	—	—	—	—	—	125,278	—
Advances from other funds—Note 5	—	2,594	—	—	—	—	—	2,594	—
Other postemployment benefit liability—Note 10	—	—	—	—	65	—	251	316	—
Nonexchange financial guarantees—Note 14	—	—	—	—	—	16,509	—	16,509	—
Installment purchase liability—Note 6	—	—	—	—	—	—	—	—	326
Lease liability—Note 6	—	2	543	—	57,348	—	65	57,958	8,113
Other liabilities	—	19,689	—	—	—	—	7	19,696	—
Total current liabilities	262,870	208,002	429,505	396,824	344,307	176,935	33,197	1,851,640	59,561
Noncurrent liabilities:									
Tuition benefits payable—Note 6	—	—	—	1,345,205	—	—	—	1,345,205	—
Insurance loss liability—Note 6	—	997,103	—	—	—	—	292	997,395	—
Revenue bonds payable—Note 6	—	—	—	—	—	4,336,460	—	4,336,460	—
Compensated absences—Note 6	—	1,864	3,018	152	30,172	—	2,214	37,420	2,782
Self-insurance liabilities—Note 8	69	643	1,426	—	43,728	—	1,035	46,901	3,092
Other postemployment benefit liability—Note 10	3,088	28,013	52,816	—	490,249	—	29,001	603,167	39,015
Nonexchange financial guarantees—Note 14	—	—	—	—	—	1,542	—	1,542	—
Net pension liability—Note 9	3,151	25,860	49,479	—	404,226	—	29,669	512,385	44,881
Installment purchase liability—Note 6	—	—	—	—	—	—	—	—	114
Lease liability—Note 6	—	—	726	—	210,441	—	11	211,178	288,618
Other liabilities	—	—	—	—	—	—	315	315	—
Total noncurrent liabilities	6,308	1,053,483	107,465	1,345,357	1,178,816	4,338,002	62,537	8,091,968	378,502
TOTAL LIABILITIES	269,178	1,261,485	536,970	1,742,181	1,523,123	4,514,937	95,734	9,943,608	438,063
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3, 6, 9, 10	29,370	34,992	52,664	—	433,063	13,033	169,912	733,034	40,722
NET POSITION—Note 15									
Net investment in capital assets	5,848	1	41,561	—	43,998	—	716,824	808,232	22,624
Restricted for:									
Transportation	—	—	—	—	—	—	132,341	132,341	—
Unemployment/workers' compensation	952,459	215,136	—	—	—	—	—	1,167,595	—
Elderly programs	—	—	44,566	—	—	—	—	44,566	—
Economic development	—	—	—	—	—	—	24,648	24,648	—
Emergency support	—	—	—	—	—	—	128,140	128,140	—
Higher education	—	—	—	477,033	—	—	—	477,033	—
Other purposes	—	—	—	—	—	—	156,333	156,333	—
Unrestricted	—	—	—	—	(1,027,889)	(3,280,229)	(45,838)	(4,353,956)	(47,171)
TOTAL NET POSITION (DEFICIT)	\$ 958,307	\$ 215,137	\$ 86,127	\$ 477,033	\$ (983,891)	\$ (3,280,229)	\$ 1,112,448	\$ (1,415,068)	\$ (24,547)

- The notes to the financial statements are an integral part of this statement -

Commonwealth of Pennsylvania
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds

For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2021)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	Internal Service Funds
OPERATING REVENUES:									
Sales and services - Note 3	\$ 2,242,599	\$ 93,741	\$ 5,127,114	\$ 219,530	\$ 2,439,299	\$ 310	\$ 47,980	\$ 10,170,573	\$ 120,648
Interest on loans	—	—	—	—	—	3,980	3,451	7,431	—
Other	—	116	—	—	—	568	373	1,057	—
OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS	2,242,599	93,857	5,127,114	219,530	2,439,299	4,858	51,804	10,179,061	120,648
Provision for uncollectible accounts	—	—	—	—	—	(89)	253	164	—
NET OPERATING REVENUES	2,242,599	93,857	5,127,114	219,530	2,439,299	4,769	52,057	10,179,225	120,648
OPERATING EXPENSES:									
Cost of sales and services	4,869,449	39,678	4,918,166	263,834	2,028,411	136,876	44,047	12,300,461	79,487
Depreciation and amortization	656	35	8,932	—	69,368	—	33,399	112,390	27,799
Other	—	—	—	—	—	14	2,269	2,283	—
TOTAL OPERATING EXPENSES	4,870,105	39,713	4,927,098	263,834	2,097,779	136,890	79,715	12,415,134	107,286
OPERATING INCOME (LOSS)	(2,627,506)	54,144	200,016	(44,304)	341,520	(132,121)	(27,658)	(2,235,909)	13,362
NONOPERATING REVENUES (EXPENSES):									
Investment earnings	(2,719)	22,272	1,095	(214,889)	351	2,398	(19,191)	(210,683)	(1,790)
Interest expense	(8,848)	—	(37)	—	(4,950)	(185,224)	(4)	(199,063)	(5,266)
Investment expense	—	(1,379)	—	(1,275)	—	—	—	(2,654)	—
Grants and other revenues	3,652,850	—	34	—	50	—	8,043	3,660,977	3
Other expenses	—	—	—	—	—	—	(791)	(791)	(5)
NONOPERATING REVENUES (EXPENSES), NET	3,641,283	20,893	1,092	(216,164)	(4,549)	(182,826)	(11,943)	3,247,786	(7,058)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	1,013,777	75,037	201,108	(260,468)	336,971	(314,947)	(39,601)	1,011,877	6,304
TRANSFERS AND CONTRIBUTIONS:									
Capital contributions	—	—	—	—	—	—	3,192	3,192	—
Transfers in—Note 5	—	—	114,700	—	—	458,268	28,156	601,124	—
Transfers out—Note 5	(3,200)	—	(205,907)	—	(191,717)	(5,000)	—	(405,824)	—
TRANSFERS AND CONTRIBUTIONS, NET	(3,200)	—	(91,207)	—	(191,717)	453,268	31,348	198,492	—
INCREASE/(DECREASE) IN NET POSITION	1,010,577	75,037	109,901	(260,468)	145,254	138,321	(8,253)	1,210,369	6,304
TOTAL NET POSITION (DEFICIT), JULY 1, 2021	(52,270)	140,100	(23,774)	737,501	(1,129,145)	(3,418,550)	1,120,701	(2,625,437)	(30,851)
TOTAL NET POSITION (DEFICIT), JUNE 30, 2022	\$ 958,307	\$ 215,137	\$ 86,127	\$ 477,033	\$ (983,891)	\$ (3,280,229)	\$ 1,112,448	\$ (1,415,068)	\$ (24,547)

- The notes to the financial statements are an integral part of this statement -

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Commonwealth of Pennsylvania
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Enterprise Funds							Total	Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2021)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds		
CASH FLOWS FROM OPERATING ACTIVITIES:									
Receipts from employers	\$ 2,196,579	\$ 92,246	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,288,825	\$ —
Receipts from customers and participants	—	—	5,103,787	219,530	2,437,500	—	42,865	7,803,682	132,718
Receipts from borrowers for fees and loan repayments	—	—	—	—	—	35,093	32,079	67,172	—
Receipt of premiums	—	—	—	—	—	—	3,870	3,870	—
Payments to programs for the elderly	—	—	(989,869)	—	—	—	—	(989,869)	—
Payments to prize winners	—	—	(3,387,462)	—	—	—	—	(3,387,462)	—
Payments to participants	—	—	—	(253,641)	—	—	—	(253,641)	—
Payments to claimants	(7,620,678)	94,459	—	—	—	—	—	(7,526,219)	—
Payments to borrowers	—	—	—	—	—	(27,088)	(17,955)	(45,043)	—
Payments for vendors, employees and other costs	—	(235,407)	(544,987)	(8,923)	(2,265,259)	(4,694)	(54,620)	(3,113,890)	(112,578)
Payments of grants and loan guarantees	—	—	—	—	—	(131,437)	—	(131,437)	—
Other receipts	—	116	—	—	—	—	27	143	236
Other payments	—	—	—	—	—	(14)	—	(14)	—
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(5,424,099)	(48,586)	181,469	(43,034)	172,241	(128,140)	6,266	(5,283,883)	20,376
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:									
Net advances from (to) other funds	—	37	—	—	—	—	362	399	—
Principal payments on other non-capital debt	—	—	—	—	—	(137,610)	—	(137,610)	—
Interest payments on other non-capital debt	—	—	—	—	—	(195,946)	—	(195,946)	—
Transfers in	—	—	114,700	—	—	421,134	371	536,205	—
Transfers out	(3,200)	—	(205,907)	—	(189,033)	(5,000)	—	(403,140)	—
Grants and other revenues	4,694,186	—	34	—	—	—	1,973	4,696,193	1
Bond issuance costs	—	—	—	—	—	—	(271)	(271)	—
Right-to-use lease interest	—	—	—	—	—	—	5,560	5,560	—
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	4,690,986	37	(91,173)	—	(189,033)	82,578	7,995	4,501,390	1
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Acquisition and construction of capital assets	—	—	(10,811)	—	(35,449)	—	(47,197)	(93,457)	(6,819)
Proceeds from disposal of capital assets	—	—	—	—	—	—	—	—	1,599
Lease/installment purchase payments	(8,848)	(36)	(1,924)	—	(62,611)	—	(62)	(73,481)	(13,266)
Interest payments on other capital debt	—	—	—	—	—	—	(4)	(4)	—
Transfers in	—	—	—	—	—	—	45,916	45,916	—
Capital contributions	—	—	—	—	—	—	3,192	3,192	—
Maintenance payments	—	—	—	—	—	—	(7,026)	(7,026)	—
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(8,848)	(36)	(12,735)	—	(98,060)	—	(5,181)	(124,860)	(18,486)
CASH FLOWS FROM INVESTING ACTIVITIES:									
Purchase of investments	(25,770)	(1,258,612)	(2,099,011)	(2,942,184)	(1,641,742)	—	(81,585)	(8,048,904)	(770,140)
Sales and maturities of investments	14,586	1,268,852	2,016,196	2,934,147	1,761,735	—	66,964	8,062,480	766,924
Investment earnings	(2,744)	38,112	714	51,545	352	2,398	4,934	95,311	517
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(13,928)	48,352	(82,101)	43,508	120,345	2,398	(9,687)	108,887	(2,699)
NET INCREASE (DECREASE) IN CASH	(755,889)	(233)	(4,540)	474	5,493	(43,164)	(607)	(798,466)	(808)
CASH AT JULY 1, 2021	1,089,423	860	4,742	5,750	28,237	885,074	18,307	2,032,393	1,673
CASH AT JUNE 30, 2022 (including \$315 in restricted assets)	\$ 333,534	\$ 627	\$ 202	\$ 6,224	\$ 33,730	\$ 841,910	\$ 17,700	\$ 1,233,927	\$ 865

Commonwealth of Pennsylvania
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Enterprise Funds								Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2021)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES									
Operating income (loss)	\$ (2,627,506)	\$ 54,144	\$ 200,016	\$ (44,304)	\$ 341,520	\$ (132,121)	\$ (27,658)	\$ (2,235,909)	\$ 13,362
Depreciation and amortization of capital assets	656	35	8,932	—	69,368	—	33,399	112,390	27,799
Amortization of other assets	—	—	—	—	—	—	2,269	2,269	—
Provision for uncollectible accounts	—	—	—	—	—	(89)	(253)	(342)	—
Other adjustments	—	—	—	—	—	—	—	—	(1,599)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:									
Unemployment assessments receivable	(35,760)	—	—	—	—	—	—	(35,760)	—
Accounts receivable	(37,596)	(2,446)	(23,225)	—	(1,818)	—	1	(65,084)	77
Interest on loans receivable	(2,225)	—	—	—	—	372	(74)	(1,927)	—
Loans receivable	—	—	—	—	—	2,954	7,520	10,474	—
Lease rental receivable	—	—	—	—	—	—	(407)	(407)	—
Other receivables	—	—	—	5	—	—	—	5	—
Due from other funds	375	—	(1,152)	(26)	174	—	2,523	1,894	2,111
Due from pension trust funds	—	—	—	—	—	—	—	—	1,530
Due from component units	—	—	—	—	—	—	—	—	(17)
Due from political subdivisions	(787)	—	—	—	—	—	—	(787)	3
Due from other governments	21,980	—	—	—	—	—	55	22,035	(8)
Inventory	—	—	—	—	6,867	—	—	6,867	(4,474)
Prepaid expenses	—	—	—	—	(877)	—	—	(877)	—
Other current and noncurrent assets	—	(2,531)	1,317	—	—	—	(127)	(1,341)	—
Deferred outflows	7,993	2,341	(1,020)	—	25,314	—	(1,626)	33,002	1,360
Accounts payable and accrued liabilities	(1,203,947)	2,327	98,262	465	(108,192)	(11)	3,862	(1,207,234)	(5,767)
Tuition benefits payable	—	—	—	827	—	—	—	827	—
Due to other funds	(1,347)	—	(89,326)	20	(6,072)	60	(1,919)	(98,584)	(382)
Due to pension trust funds	(33)	—	28	(22)	553	—	8	534	13
Due to component units	—	—	—	—	—	—	35	35	(2)
Due to political subdivisions	—	—	(965)	—	—	—	33	(932)	(4)
Due to other governments	(1,539,071)	—	(629)	—	178	—	(56)	(1,539,578)	3
Unearned revenue	—	1,141	753	—	—	—	(1,166)	728	—
Self-insurance liabilities	—	(113)	(160)	—	(18,009)	—	(271)	(18,553)	(944)
Compensated absences	—	95	68	1	2,072	—	(68)	2,168	160
Insurance loss liability	—	(85,359)	—	—	—	—	(325)	(85,684)	—
Other postemployment benefit liability	(2,147)	(8,126)	(7,906)	—	(80,865)	—	(3,367)	(102,411)	(6,531)
Nonexchange financial guarantees	—	—	—	—	—	695	—	695	—
Net pension liability	394	(8,248)	(10,145)	—	(101,896)	—	(7,385)	(127,280)	(11,576)
Other current and noncurrent liabilities	—	(3,541)	—	—	—	—	(15)	(3,556)	—
Deferred inflows	(5,078)	1,695	6,621	—	43,924	—	1,278	48,440	5,262
Total Adjustments	(2,796,593)	(102,730)	(18,547)	1,270	(169,279)	3,981	33,924	(3,047,974)	7,014
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (5,424,099)	\$ (48,586)	\$ 181,469	\$ (43,034)	\$ 172,241	\$ (128,140)	\$ 6,266	\$ (5,283,883)	\$ 20,376
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:									
Increase (decrease) in fair value of investments during the fiscal year	\$ —	\$ (11,695)	\$ —	\$ (252,310)	\$ —	\$ —	\$ (24,197)	\$ (288,202)	\$ (2,336)
Increase (decrease) in investment receivables	25	6,181	383	(167)	—	—	72	6,494	29
Increase in investment payables	—	(11,707)	—	(15,569)	—	—	—	(27,276)	—
Increase (decrease) in investments from changes in securities lending obligations	—	2,040	—	13,441	—	—	4,211	19,692	406
Disposals of capital assets	—	(382)	—	—	2,227	—	(384)	1,461	(2,891)
Right-to-use lease acquisitions	—	—	—	—	43,156	—	—	43,156	—
Right-to-use lease terminations	—	—	—	—	(864)	—	—	(864)	—
Amortization of bond premium/discount and deferred refunding loss (net)	—	—	—	—	—	(10,253)	—	(10,253)	—
Transfers from other funds (accruals)	—	—	—	—	—	(37,134)	30,563	(6,571)	—
Transfers to other funds (accruals)	—	—	—	—	(10,543)	—	—	(10,543)	—

There were no other material investing, capital or financing activities that did not result in cash receipts or cash payments during the fiscal year.

- The notes to the financial statements are an integral part of this statement -

Commonwealth of Pennsylvania
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

(Amounts in thousands)

	Custodial Funds		
	Pension (and Other Employee Benefit) Trust Funds	Custodial Funds	External Investment Pool
			INVEST Program for Local Governments Dec. 31, 2021
ASSETS			
Cash—Note 2	\$ 605,365	\$ 26,381	\$ 3
Cash with fiscal agents	—	25,094	—
Temporary investments—Note 2	197,764	149,927	898,413
Long-term investments—Note 2	963,647	4,551,743	—
Short-term funds—Note 2	10,133,641	—	—
Corporate obligations—Note 2	3,882,227	—	—
Collective trust funds—Note 2	20,643,994	—	—
Real estate—Note 2	10,105,553	—	—
Alternative—Note 2	26,272,376	—	—
Securities lending collateral—Note 2	10,069,568	—	—
Asset-backed securities—Note 2	410,433	—	—
Domestic equities—Note 2	20,862,390	—	—
International equities—Note 2	8,194,743	—	—
International public debt securities—Note 2	535,741	—	—
Mortgage-backed securities—Note 2	358,377	—	—
Private placements—Note 2	387,802	—	—
U.S. Treasury obligations—Note 2	13,540,827	—	—
U.S. government agency debt securities—Note 2	24,010	—	—
Receivables (net):			
Taxes—Note 3	—	86,492	—
Accounts	—	631,737	—
Investment earnings	362,067	2,374	—
Interest on notes and loans	—	—	73
Pension contributions	1,782,734	—	—
Investment sale proceeds	619,477	2,237	—
Other	43,897	—	—
Due from other funds—Note 5	31,565	—	—
Due from pension trust funds—Note 5	891	—	—
Due from component units—Note 5	13,477	—	—
Due from political subdivisions	6,110	—	—
Due from other governments	20,946	—	—
Depreciable or amortizable capital assets:			
Machinery and equipment	13,249	—	—
Other intangible assets	44,621	—	—
Less: accumulated depreciation and amortization	(42,983)	—	—
Net depreciable or amortizable capital assets	14,887	—	—
Other assets	—	339,307	—
TOTAL ASSETS	130,084,509	5,815,292	898,489
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3	39,102	—	—
LIABILITIES			
Accounts payable and accrued liabilities	236,133	42,671	75
Investment purchases payable	1,793,013	1,110	3
Securities lending obligations	10,267,332	1,837	—
Due to other funds—Note 5	582	—	—
Due to pension trust funds—Note 5	1,249	—	—
Due to political subdivisions	—	155,734	—
Interest payable	—	—	8
Other postemployment benefit liability—Note 10	69,295	—	—
Net pension liability—Note 9	61,061	—	—
Other liabilities	610,102	7,184	—
TOTAL LIABILITIES	13,038,767	208,536	86
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3	63,860	—	—
NET POSITION			
Restricted for:			
Pension benefits	110,936,237	—	—
Postemployment healthcare benefits	1,267,404	—	—
Employee salary deferrals	4,817,343	—	—
INVEST Program participants	—	—	898,403
Tuition Account Investment Program participants	—	4,077,140	—
Beneficiaries	—	1,529,616	—
TOTAL NET POSITION	\$ 117,020,984	\$ 5,606,756	\$ 898,403

- The notes to the financial statements are an integral part of this statement -

Commonwealth of Pennsylvania
Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Custodial Funds	
		Custodial Funds	External Investment Pool INVEST Program for Local Governments Dec. 31, 2021
ADDITIONS:			
Contributions:			
Pension:			
Employer	\$ 8,665,749	\$ —	\$ —
Employee	2,178,279	—	—
Transfer in from other plans	116,460	—	—
Total contributions	<u>10,960,488</u>	<u>—</u>	<u>—</u>
Investment earnings:			
Net increase (decrease) in fair value of investments	3,982,766	(788,884)	—
Interest income	1,248,315	219,418	1,198
Dividend income	595,714	—	—
Rental and other income	639,286	—	—
Total investment activity earnings	<u>6,466,081</u>	<u>(569,466)</u>	<u>1,198</u>
Less investment expenses:			
Investment activity expense	(699,373)	(859)	(1,037)
Net investment earnings	<u>5,766,708</u>	<u>(570,325)</u>	<u>161</u>
Securities lending activities:			
Income	56,602	—	—
Expenses	(29,186)	—	—
Total securities lending income	<u>27,416</u>	<u>—</u>	<u>—</u>
Total net investment earnings	<u>5,794,124</u>	<u>(570,325)</u>	<u>161</u>
Share transactions (at net asset value of \$1.00 per share):			
Shares issued in lieu of cash distributions	—	—	170
Shares purchased/redeemed (net)	—	233,885	52,609
Net increase in net position from share transactions	<u>—</u>	<u>233,885</u>	<u>52,779</u>
Tax collections for other governments	—	1,282,818	—
Member resources	—	115,203	—
Other additions	—	178,833	—
TOTAL ADDITIONS	<u>16,754,612</u>	<u>1,240,414</u>	<u>52,940</u>
DEDUCTIONS:			
Benefit payments	12,142,749	—	—
Refunds of contributions	62,029	—	—
Transfers to other plans	174,318	—	—
Administrative expenses	128,464	45,129	—
Payments of taxes to other governments	—	1,282,928	—
Distributions to participants	4,413	—	160
Member/claimant distributions	—	251,512	—
Other expenses	5,226	20,495	—
TOTAL DEDUCTIONS	<u>12,517,199</u>	<u>1,600,064</u>	<u>160</u>
CHANGE IN FIDUCIARY NET POSITION:			
Pension benefits	3,838,387	—	—
Postemployment healthcare benefits	(41,620)	—	—
Employee salary deferrals	440,646	—	—
INVEST program participants	—	—	52,780
Tuition Account Investment Program participants	—	(313,325)	—
Beneficiaries	—	(46,325)	—
TOTAL CHANGE IN FIDUCIARY NET POSITION	<u>4,237,413</u>	<u>(359,650)</u>	<u>52,780</u>
NET POSITION, JULY 1, 2021	<u>112,783,571</u>	<u>5,966,406</u>	<u>845,623</u>
TOTAL NET POSITION, JUNE 30, 2022	<u>\$ 117,020,984</u>	<u>\$ 5,606,756</u>	<u>\$ 898,403</u>

- The notes to the financial statements are an integral part of this statement -

Commonwealth of Pennsylvania
Statement of Net Position
Discretely Presented Component Units
June 30, 2022

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2022)	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	State System of Higher Education	Nonmajor Discretely Presented Component Units	Total
ASSETS							
Current assets:							
Cash—Note 16	\$ 1,235,483	\$ 999,390	\$ 26,073	\$ 369,827	\$ 166,037	\$ 32,906	\$ 2,829,716
Temporary investments—Note 16	833,758	1,002	993,506	1,495,318	407,736	319,948	4,051,268
Receivables (net):							
Accounts	125,450	—	30,257	713	127,018	10,216	293,654
Investment earnings	5,231	1,041	260	810	—	95	7,437
Interest on notes and loans	—	17,110	90,160	4,825	—	1,547	113,642
Loans—Note 16	—	125,164	508,966	185,664	2,129	32,884	854,807
Lease rentals	—	—	—	—	944	117	1,061
Other	—	3,268	—	—	56,732	561	60,561
Due from primary government—Note 5	13,901	—	—	4,823	2,605	238	21,567
Due from component units—Note 5	—	564	—	711	—	—	1,275
Due from Federal Government	—	—	2,835	615	—	6,613	10,063
Inventory	20,408	—	—	—	—	979	21,387
Prepaid expenses	—	—	8,949	—	44,510	2,761	56,220
Other assets	—	3,087	19,346	—	10,028	—	32,461
Total current assets	2,234,231	1,150,626	1,680,352	2,063,306	817,739	408,865	8,355,119
Noncurrent assets:							
Restricted cash	—	—	—	—	54,583	1,189	55,772
Long-term investments—Note 16	1,298,734	312,216	—	—	1,297,954	32,318	2,941,222
Receivables (net):							
Loans—Note 16	—	3,979,866	2,098,287	2,457,825	3,552	319,955	8,859,485
Lease rentals	—	—	—	—	12,301	2,245	14,546
Non-depreciable capital assets—Note 16							
Land	460,908	2,454	8,179	—	34,257	4,655	510,453
Construction in progress	1,369,762	—	—	—	181,808	30,994	1,582,564
Depreciable or amortizable capital assets—Note 16							
Land improvements	189,597	—	—	—	351,498	11,483	552,578
Buildings and building improvements	1,034,358	60,631	72,920	—	3,728,320	814,362	5,710,591
Machinery and equipment	626,570	12,506	41,161	—	552,228	211,474	1,443,939
Turnpike infrastructure	10,107,010	—	—	—	—	—	10,107,010
Library books	—	—	—	—	70,227	386	70,613
Other capital assets	—	—	—	—	—	13	13
Intangible right-to-use leases	—	—	5,502	—	97,069	17,871	120,442
Other intangible assets	—	—	84,082	—	—	—	84,082
Less: accumulated depreciation and amortization	(7,017,023)	(20,986)	(147,898)	—	(2,236,680)	(508,450)	(9,931,037)
Net depreciable or amortizable capital assets	4,940,512	52,151	55,767	—	2,562,662	547,139	8,158,231
Other assets	183,003	12,996	—	—	927,814	5,502	1,129,315
Total noncurrent assets	8,252,919	4,359,683	2,162,233	2,457,825	5,074,931	943,997	23,251,588
TOTAL ASSETS	10,487,150	5,510,309	3,842,585	4,521,131	5,892,670	1,352,862	31,606,707
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 16	382,926	38,283	120,087	3,760	414,879	22,648	982,583

Commonwealth of Pennsylvania
Statement of Net Position
Discretely Presented Component Units
June 30, 2022

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2022)	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	State System of Higher Education	Nonmajor Discretely Presented Component Units	Total
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	213,379	1,189	130,903	790	246,545	26,778	619,584
Securities lending obligations	—	—	—	35,397	—	959	36,356
Due to primary government—Note 5	—	180	1,848	14,325	21	10,173	26,547
Due to component units—Note 5	—	711	—	564	—	—	1,275
Due to other governments	—	—	—	—	—	2	2
Interest payable	343,562	26,057	2,020	—	—	811	372,450
Unearned revenue	117,989	—	27	—	54,011	3,049	175,076
Notes payable—Note 16	—	4,336	188,140	—	—	—	192,476
Bonds Payable—Note 16	—	—	—	7,695	116,105	—	123,800
Revenue bonds payable—Note 16	313,740	129,166	—	—	—	21,115	464,021
Self-insurance liabilities	3,978	—	—	—	3,963	—	7,941
Compensated absences	9,807	—	—	190	20,525	827	31,349
Other financing obligations—Note 16	—	—	4,743	—	—	1,839	6,582
Other postemployment benefit liability—Note 16	—	—	—	—	36,685	777	37,462
Lease liability	—	—	—	—	16,263	1,220	17,483
Other liabilities	—	173,700	19,346	—	160,355	2	353,403
Total current liabilities	1,002,455	335,339	347,027	58,961	654,473	67,552	2,465,807
Noncurrent liabilities:							
Due to primary government—Note 5	—	—	—	55,536	—	1,200	56,736
Unearned revenue	275	—	—	—	952	—	1,227
Student loan auction rate security bonds payable—Note 16	—	—	4,200	—	—	—	4,200
Notes payable—Note 16	—	27,572	2,438,596	—	—	—	2,466,168
Bonds Payable—Note 16	—	—	—	—	2,580,458	—	2,580,458
Revenue bonds payable—Note 16	16,843,788	3,585,945	—	84,307	—	24,278	20,538,318
Other financing obligations—Note 16	—	—	8,606	—	—	12,915	21,521
Compensated absences	8,024	—	12,569	811	146,525	2,792	170,721
Self-insurance liabilities	34,793	—	—	—	16,420	—	51,213
Other postemployment benefit liability—Note 16	—	127,057	227,650	4,489	1,773,417	32,437	2,165,050
Net pension liability—Note 16	219,303	13,012	236,320	6,450	681,663	26,914	1,183,662
Lease liability	—	—	—	—	221,247	15,545	236,792
Other liabilities	106,496	667,399	—	—	80,109	348	854,352
Total noncurrent liabilities	17,212,679	4,420,985	2,927,941	151,593	5,500,791	116,429	30,330,418
TOTAL LIABILITIES	18,215,134	4,756,324	3,274,968	210,554	6,155,264	183,981	32,796,225
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 16	392,750	36,450	297,457	4,984	904,031	32,179	1,667,851
NET POSITION							
Net investment in capital assets	(1,422,146)	23,605	56,877	—	840,483	551,620	50,439
Restricted for:							
Health-related programs	—	—	—	—	—	37,307	37,307
Capital projects	311,045	—	—	4,309,353	54,270	—	4,674,668
Debt service	64,781	143,836	311,287	—	—	30,629	550,533
Economic development	—	—	—	—	—	125,539	125,539
Higher education	—	—	79,317	—	641,432	—	720,749
Other purposes	—	588,377	—	—	—	28,373	616,750
Unrestricted	(6,691,488)	—	(57,234)	—	(2,287,931)	385,882	(8,650,771)
TOTAL NET POSITION (DEFICIT)	\$ (7,737,808)	\$ 755,818	\$ 390,247	\$ 4,309,353	\$ (751,746)	\$ 1,159,350	\$ (1,874,786)

- The notes to the financial statements are an integral part of this statement -

Commonwealth of Pennsylvania
Statement of Activities
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Pennsylvania					Nonmajor	
	Pennsylvania	Pennsylvania	Higher	Pennsylvania	State System	Discretely	
	Turnpike	Housing	Education	Infrastructure	of Higher	Presented	
	Commission	Finance	Assistance	Investment	Education	Component	
	(May 31, 2022)	Agency	Agency	Authority		Units	Total
Expenses	\$ 2,088,238	\$ 861,132	\$ 759,892	\$ 69,563	\$ 2,158,833	\$ 185,538	\$ 6,123,196
Program revenues:							
Charges for goods and services	1,507,519	226,662	519,089	35,294	1,249,830	105,269	3,643,663
Operating grants and contributions	(51,262)	592,971	393,689	(47,070)	1,070,861	102,183	2,061,372
Capital grants and contributions	169,141	—	—	86,520	51,374	26,595	333,630
TOTAL PROGRAM REVENUES	1,625,398	819,633	912,778	74,744	2,372,065	234,047	6,038,665
CHANGE IN NET POSITION	(462,840)	(41,499)	152,886	5,181	213,232	48,509	(84,531)
TOTAL NET POSITION (DEFICIT), JULY 1, 2021 (restated)—Note 16	(7,274,968)	797,317	237,361	4,304,172	(964,978)	1,110,841	(1,790,255)
TOTAL NET POSITION (DEFICIT), JUNE 30, 2022	\$ (7,737,808)	\$ 755,818	\$ 390,247	\$ 4,309,353	\$ (751,746)	\$ 1,159,350	\$ (1,874,786)

- The notes to the financial statements are an integral part of this statement -

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation**

The basic financial statements of the Commonwealth of Pennsylvania (the Commonwealth) have been prepared in accordance with accounting principles generally accepted in the United States applicable to governments. The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting requirements for governments. There may be rounding differences between amounts reported in the basic financial statements section and amounts reported in other sections of the Annual Comprehensive Financial Report (ACFR). Also note, all amounts in the ACFR are stated in thousands unless otherwise indicated.

Government-wide Financial Statements

Government-wide financial statements report the financial position and results of activities for the Commonwealth as a whole, except for its fiduciary activities. Separate columns are presented for governmental and business-type activities within the primary government (PG) and discretely presented component units (DPCU). The statement of net position reports all assets, deferred outflows of resources, liabilities and deferred inflows of resources for the primary government of the Commonwealth. The statement of activities reports the total cost of providing governmental services, by function, net of related program revenues; and after including general revenues, reports whether the total net position of the government increased or decreased during the fiscal year ended June 30, 2022. The government-wide financial statements do not include any fiduciary fund assets, liabilities or activities for the primary government or component units (CU) that are fiduciary in nature because they are held for the benefit of others and are not available to address activities or obligations of the PG. Governmental activities within government-wide financial statements include specific balances and transactions related to internal service funds that are reported as proprietary funds in fund financial statements. Business-type activities include information for all enterprise funds and two blended CUs.

Financial Reporting Entity

The basic financial statements include all funds of the PG, which for reporting purposes represents the Commonwealth, as well as the CUs determined to be included in the Commonwealth's financial reporting entity. A fund is a self-balancing set of accounts, segregated for specific purposes. A CU is a legally separate organization, the activity of which must be included in the Commonwealth's reporting entity.

The basic financial statements include the government-wide financial statements and fund financial statements. The fund financial statements present governmental, proprietary and fiduciary financial statements. Reconciliation between the governmental fund financial statements and the governmental activities column of the government-wide financial statements is presented since a different measurement focus and basis of accounting is used. The reconciliation explains the adjustments required to convert the fund-level financial statements to the government-wide financial statements.

School districts, local governments, counties and numerous authorities are considered separate, stand-alone primary governments or organizations. Although these organizations may receive significant PG operating and/or capital subsidies, they have been excluded from the financial reporting entity because they are governed by popularly-elected officials or appointees and are not fiscally dependent on the PG. The PG provides significant subsidies and appoints a portion, but not a voting majority, of the governing boards at the following four universities (commonly referred to as state related): Pennsylvania State University, University of Pittsburgh, Lincoln University and Temple University. However, given the absence of PG appointment of a governing board voting majority and the lack of fiscal dependency, these universities are excluded from the financial reporting entity.

Primary Government

For financial reporting purposes, the Commonwealth is a primary government. The PG includes all publicly elected members of the executive, legislative, and judicial branches of the Commonwealth. The PG also includes all Commonwealth departments, agencies, boards, and organizations that are not legally separate.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Component Units**

CUs are legally separate organizations for which the Commonwealth is either financially accountable or the nature and significance of their relationship with the Commonwealth is such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. CUs are reported either discretely as an aggregated separate column in the government-wide financial statements or blended in both the government-wide and fund financial statements as if they were funds of the PG. The decision to include and how to report a CU in the Commonwealth's reporting entity is based on several criteria, including legal standing, debt responsibility, fiscal dependency, and financial accountability. The Commonwealth reports twenty-one CUs, seventeen of which are reported as DPCUs, two as CU fiduciary funds and two as blended CUs. The financial information for the DPCUs reported in the aggregate in the government-wide financial statements are presented separately in the combining financial statements section of the ACFR. CUs classified as fiduciary funds are aggregated in the pension (and other employee benefit) trust funds column in the fund financial statements.

More detailed information for the individual CUs is available from the CUs' separately issued financial statements available by writing to the Commonwealth's Chief Accounting Officer, 555 Walnut Street, Ninth Floor, Harrisburg, PA 17101-1921. The following paragraphs are a brief description of the Commonwealth's CUs. Note 16 and the combining financial statements contain additional DPCU information.

Blended Component Units

A blended CU is an entity that functions as an integral part of the PG and as a result the entity's financial data is blended with the financial data of the PG. The following two entities are reported as blended CUs because the total debt of the CUs are expected to be repaid entirely or almost entirely with resources of the PG.

Commonwealth Financing Authority (CFA) - The CFA administers and funds economic stimulus programs. The programs offer financial assistance through loans, grants, guarantees, sales, leases, investments, lines and letters of credit, and other authorized financial arrangements. The CFA is authorized to issue limited obligation revenue bonds and other types of limited obligation revenue financing. The PG appoints all seven voting members of the Board of Directors, four by appointment, whom may be removed at will, and three ex-officio board members, the Secretary of Community and Economic Development, Secretary of the Budget, and Secretary of Banking and Securities. A Service Agreement entered into by the CFA and the Department of Community and Economic Development (DCED), a PG agency, in 2005 states that the DCED shall request annual appropriations from the General Assembly in amounts necessary to pay the debt service requirements of the CFA. CFA's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the PG.

Philadelphia Regional Port Authority (PRPA) - The PRPA operates a port facility and manages port-related activities to promote commerce and economic development in southeastern Pennsylvania. The PRPA charges rental and other fees to port users and obtains funding from the PG. The PRPA also issues revenue bonds to finance its activities. The Governor must approve the issuance of its debt. The PG appoints all eleven voting board members and can remove board members at will. The PG provides operating and capital subsidies. Any outstanding debt or future debt issued by PRPA would be expected to be repaid entirely or almost entirely with resources of the PG.

Fiduciary Fund Component Units

A fiduciary fund CU is an entity that functions as an integral part of the PG but because the funds are held for the benefit of others and are not available to address activities or obligations of the PG, they are reported separately throughout this financial report.

State Employees' Retirement System (SERS) - The SERS is a public employee retirement system that provides retirement benefits to Commonwealth employees. The PG appoints all voting board members and, on a very limited basis, imposes its will on the SERS. The PG makes essentially all employer contributions to the SERS; PG employees make almost all of the employee contributions to the SERS (virtually all PG employees are required to join the SERS). The PG is responsible for substantially all of the SERS pension obligations. The SERS provides services and benefits almost exclusively to the PG. The SERS administers a defined benefit plan, defined contribution plan and a deferred compensation plan. Act 5 of 2017 established the defined contribution plan and provided two new side-by-side hybrid defined benefit/defined contribution

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

benefit options and a new defined contribution only option for all Commonwealth employees, excluding most hazardous duty employees, who first enter SERS membership on or after January 1, 2019. The defined benefit plan and the defined contribution plan are funded through a combination of employee contributions, employer contributions and investment earnings. The deferred compensation plan is funded by voluntary employee contributions and investment earnings. The SERS is reported for its fiscal year ended December 31, 2021.

Public School Employees' Retirement System (PSERS) - The PSERS was created to administer and provide retirement benefits to public school employees in Pennsylvania. The PSERS covers almost all such employees. Covered elementary and secondary school employers make employer contributions, with the PG reimbursing each employer at least half their required annual contribution. Employer contributions for covered employees of higher education institutions and state-owned schools are shared equally by covered employers and the PG; all covered public school employees also contribute. The PSERS administers a defined benefit plan and defined contribution plan. Act 5 of 2017 established the defined contribution plan and provided two new side-by-side hybrid defined benefit/defined contribution benefit options and a new defined contribution only option for all new employees who enter PSERS membership on or after July 1, 2019. The PG appoints eight of fifteen voting board members; the seven other members are appointed by active or retired public school employees or are appointed by public school boards. In addition to making significant contributions as a governmental nonemployer contributing entity for the PSERS plan, the PG guarantees the payment of all annuities and other pension benefits. This represents a compelling PG financial burden.

Discretely Presented Component Units

DPCUs are legally separate organizations for which the elected officials of the PG are financially accountable. In addition, DPCUs can be other organizations of which the nature and significance of their relationship with the PG is such that exclusion of these organizations from the PG's financial statements would be misleading. DPCUs do not function as an integral part of the PG and therefore are presented in separate (discrete) columns.

Pennsylvania Turnpike Commission (PTC) - The PTC was created to construct, maintain, and operate a turnpike system in the Commonwealth. Activities are financed through user tolls and the issuance of revenue bonds. Debt service payments are funded through user tolls. The PTC works closely with the Department of Transportation. The PG appoints all voting board members. When all the PTC bondholders have been satisfied, the PTC assets revert to the Department of Transportation, which represents a financial benefit to the PG. The Governor must approve the issuance of all PTC debt, by which the PG can impose its will. The PG is not obligated for all PTC debt, but the PG could take certain actions to satisfy bondholders. Note 14 to the Financial Statements provides information related to the Commonwealth's contingent liability for certain PTC debt at fiscal year-end. The PTC is reported for its fiscal year ended May 31, 2022.

Pennsylvania Housing Finance Agency (PHFA) - The PHFA makes loans to eligible individuals and organizations to purchase or construct housing. The loans benefit older adults, persons with disabilities, and low- and moderate-income individuals and families. The PG appoints all voting board members. The Secretary of Banking and Securities, the Secretary of Community and Economic Development, the Secretary of Human Services, and the State Treasurer serve as ex-officio members. The Governor is required to request an appropriation from the General Assembly for the PHFA whenever a deficiency exists in the capital reserve account or if additional funds are needed to avoid a default on the PHFA debt. This moral obligation represents a financial burden to the PG. The PHFA is fiscally dependent on the PG, as the Governor must approve the issuance of its debt.

Pennsylvania Higher Education Assistance Agency (PHEAA) - The PHEAA makes grants and loans to students to help fund the cost of higher education. Through June 30, 2022, lending institutions and post-secondary schools were involved in the loan program. The PG funds the PHEAA grant program; the PHEAA issues revenue bonds to fund the student loan program. Revenue bonds are repaid from student loan repayments. The PHEAA also services student loan portfolios for lending institutions and the Federal Government. The PG appoints all twenty voting board members. A significant PG financial burden exists through subsidizing the PHEAA grant program; also, although the PG is not obligated for the PHEAA revenue bonds, the PG could take certain actions to satisfy bondholders. The PHEAA is fiscally dependent, as the Governor must approve the issuance of its debt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pennsylvania Infrastructure Investment Authority (PENNVEST) - The PENNVEST makes grants and low-interest loans to local governments and authorities, businesses, and nonprofit organizations for the construction, improvement, repair or rehabilitation of drinking and waste water systems. The PENNVEST obtains funds through Commonwealth general obligation bond proceeds (approved by referendum), revenue bonds, the Federal Government, and contributed amounts from Commonwealth funds. Loan repayments finance the PENNVEST debt service costs. The PENNVEST operates closely with the Department of Environmental Protection. The PG appoints all voting board members. By issuing general obligation debt and providing the proceeds to PENNVEST as capital contributions, a significant financial burden exists. The PG is not obligated for the PENNVEST debt, but the PG could take certain actions to satisfy bondholders. Upon dissolution, the assets of the PENNVEST revert to the Commonwealth.

State System of Higher Education (SSHE) - The SSHE was created to provide instruction for postsecondary students. The SSHE is composed of fourteen universities and an administrative headquarters. Resources are provided by student tuition, grants, and PG subsidies. The PG appoints all twenty voting board members, which in turn appoint the university presidents and chancellor. Five of the appointments must be trustees of universities; three must be students. The PG provides significant operating and capital subsidies to the SSHE which creates a significant financial burden. The PG is not obligated for the SSHE debt, but the PG could take certain actions to satisfy bondholders.

State Public School Building Authority (SPSBA) and Pennsylvania Higher Educational Facilities Authority (PHEFA) - The SPSBA and the PHEFA issue limited obligation revenue bonds, the proceeds of which are used to finance the construction of facilities for school districts and public/private colleges and universities. Neither the PG nor the Authorities are obligated for debt service payments, these bonds are repaid solely from lease/loan payments from the schools. All nine voting members of the SPSBA and the PHEFA governing boards are PG's high-ranking officials being ex-officio board members by virtue of their position. The PG's Department of Education approves the SPSBA's projects, which indicates imposition of will.

Ben Franklin Technology Development Authority (BFTDA) - The BFTDA encourages and coordinates programs and investments which advance the competitiveness of Commonwealth companies in the global economy. The BFTDA, staffed by the Department of Community and Economic Development (DCED), provides vital seed capital, technology commercialization and entrepreneurial support services to the technology sector of the Commonwealth's economy. The PG appoints all twenty-one voting members of the governing board. The PG also provides funding on an annual basis, which is a financial burden to the PG.

Port of Pittsburgh Commission (PPC) - The PPC promotes economic development throughout waterways in southwestern Pennsylvania by constructing and/or financing transportation and recreation facilities. The PG appoints all fifteen voting members of the governing board and can impose its will by removing board members at will. The PG provides funding for the PPC, but is not required to do so.

Philadelphia Shipyard Development Corporation (PSDC) - The PSDC was created as a nonprofit corporation to assist the PG and other governmental entities in financing a shipbuilding facility at the former Philadelphia Naval Shipyard. The PG appoints the majority of the governing board by appointing three of five voting board members. The PG also provides a significant portion of funding for the PSDC, which is a financial burden to the PG. The PSDC obtains funding from the PG and a variety of other governmental sources to fund development, construction, and job recruitment and training costs. The PSDC is reported for its fiscal year ended December 31, 2021.

Pennsylvania Industrial Development Authority (PIDA) - The PIDA was created to provide employment opportunities throughout the Commonwealth by attracting businesses and investors to the Commonwealth and retaining existing businesses. The PIDA provides low interest rate loans to prospective and existing businesses focusing on areas of the Commonwealth where unemployment rates are the highest. Loans are made at lower-than-market interest rates; the interest rates are based on local unemployment and other economic conditions. The PIDA issues revenue bonds to finance the loan program. Loan repayments are used for debt service payments. The PIDA works closely with the Department of Community and Economic Development. The PG appoints all voting board members. The PG has provided capital contributions and "excess" PIDA funds are transferred to the **General Fund**, which represents a financial burden and benefit to the PG. The PG is not obligated for the PIDA debt, but the PG could take certain actions to satisfy bondholders.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Thaddeus Stevens College of Technology (College) - The College is governed by a Board of Directors that is a body politic and corporate constituting a public corporation, making the College an entity legally separate from the PG. The Governor, with the advice of the Senate, appoints nine of the ten voting Board members, and the Secretary of Education serves as an ex-officio member. The PG has some ability to influence the structure and/or content of the College's budget through overview of the Department of Education. The College presents a financial burden to the PG, as the PG appropriates funds for College operations.

Pennsylvania Convention Center Authority (PCCA) - The PCCA was created to operate the Pennsylvania Convention Center located in the City of Philadelphia. The PG may impose its will because it has final approval authority over the PCCA operating and capital budgets and the PCCA may not incur debt without the prior written approval of the PG. The PG financed a portion of the PCCA facility in prior fiscal years and during the fiscal year ended June 30, 2022, as well as paying other periodic amounts to the PCCA, thus there is a financial burden on the PG.

Pennsylvania Economic Development Financing Authority (PEDFA) - The PEDFA was created to lend money primarily to businesses to promote economic development in the Commonwealth. The PEDFA issues revenue bonds to fund specific projects and repayments are derived solely from project revenues. The debt is considered non-recourse, as the PEDFA is not obligated to bondholders beyond amounts received by the Authority from the funded projects. Financial statement information for the PEDFA is not reported because the majority of the activity involves conduit debt. The PG appoints eleven of the sixteen board members and five members are ex-officio. The PG is not obligated for the PEDFA debt, but the PG could take certain actions to satisfy bondholders. Upon dissolution, the assets of PEDFA revert to the Commonwealth. Although the PEDFA issues only conduit debt and therefore there is no direct financial benefit or burden attributable to the PG, the ultimate purpose of the PEDFA is to benefit the PG by supporting and growing the tax base of the PG through economic development loans. Therefore, because the PG is the ultimate beneficiary of the growing tax base, provides all management and administrative services to the PEDFA, as well as appoints the entire board, it would be misleading to exclude the PEDFA from the ACFR.

Pennsylvania Energy Development Authority (PEDA) - The PEDA was created to promote the development of energy sources within the Commonwealth. PEDA has two distinct functions: (1) the issuance of non-recourse debt and (2) the management of the Energy Development Fund. The Energy Development Fund is reported as an activity of the PEDA. The non-recourse debt that was previously issued by PEDA has been satisfied. The PG appoints thirteen of the nineteen board members and six members are ex-officio. The Governor must approve the issuance of PEDA debt. By legislative authority, the PEDA is required to take action to deposit excess moneys into the Commonwealth's **General Fund** and that the PEDA may requisition moneys in the amounts necessary to pay administrative costs, which results in a financial benefit and burden to the PG.

Pennsylvania Health Insurance Exchange Authority (PHIEA) - The PHIEA was created to design and oversee the Pennsylvania Health Insurance Exchange (Exchange) authorized by Act 42 of 2019. The Exchange's purpose is to facilitate the purchase of qualified health insurance policies for Commonwealth residents, and will be funded primarily through the assessment of fees from the exchange insurers. The PG appoints all eleven board members, with three members being ex-officio, and may also remove appointed board members at will. In addition to overseeing the exchange, PHIEA provides financial support to the Pennsylvania Insurance Department's reinsurance fund via a portion of the exchange's user fees, which results in a financial benefit to the PG.

Pennsylvania Rural Health Redesign Center Authority (RHRCA) - The RHRCA was established by Act 108 of 2019 to protect and promote access for Commonwealth residents to high-quality healthcare in rural communities. The RHRCA in partnership with the Pennsylvania Department of Health (DOH) will develop and maintain a global budget model for participating rural hospitals and insurance providers designed to reduce costs while maintaining access to care. The RHRCA's board consists of one voting member appointed per participating insurer and an equal number of voting members appointed by the participating hospitals. Additionally, the PG appoints nine voting members including the chair. The RHRCA funding is provided through DOH grants from the federal Centers for Medicare and Medicaid Services and financial support through loans and other financial assistance by the DOH. Although the PG does not appoint a majority of board members, the PG demonstrates significant influence through its nine board members, the financial assistance provided, and the ongoing collaboration with DOH. As such, it would be misleading to exclude from the Commonwealth's financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Related Organizations**

Related organizations are legally separate, fiscally independent entities for which the Commonwealth appoints a voting majority of the board, but the Commonwealth is not financially accountable for the entity.

The Philadelphia Parking Authority (Authority) is financially reported as a DPCU unit in the City of Philadelphia's financial reporting entity. Act 22 of 2001 provided, in part, for the Commonwealth to appoint a voting majority of the Authority's governing board.

The Philadelphia School District (School District) is financially reported as a DPCU in the City of Philadelphia's (City) financial reporting entity. During 2001, the General Assembly passed Senate Bill 640 amending Act 46 of 1999, providing for several changes to the Public School Code. Among other things, the changes provide for the Commonwealth to appoint a voting majority of the School Reform Commission that now governs the School District. Despite these changes, the School District remains fiscally dependent on the City.

Patient Safety Authority is charged with taking steps to reduce and eliminate medical errors by identifying problems and recommending solutions that promote patient safety in hospitals, ambulatory surgical facilities, and birthing centers. The PG appoints all eleven members of the Board; the Pennsylvania Physician General, who serves as the Board chair, six members appointed by the Governor representing specific professional occupations, and four members appointed by the General Assembly. Although the Pennsylvania Department of Health approves the recommendations that will be adopted, the approval is not substantive.

Insurance Fraud Prevention Authority (IFPA) assists in the prevention, discovery, investigation, and prosecution of insurance fraud. The IFPA is funded through assessments paid by the insurance industry and through certain criminal and civil fines, penalties, and awards. The PG appoints six of seven voting members of the IFPA governing board; the Attorney General serves ex-officio as one of these six members. Through a contract (exchange transaction) a significant portion of IFPA expenditures funds the Section on Insurance Fraud in the Office of Attorney General.

Joint Venture

A joint venture is a legal entity that results from a contractual arrangement owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. Joint control means no single participant has the ability to unilaterally control the financial or operating policies of the joint venture. The purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services. The Pennsylvania Employees Benefit Trust Fund is the only joint venture in which the Commonwealth participates.

The Pennsylvania Employees Benefit Trust Fund (PEBTF) was created by the Commonwealth, through its Office of Administration, using a contractual agreement with various Commonwealth employee labor unions. The PEBTF establishes and provides active Commonwealth employee healthcare benefits and is the Commonwealth's third-party administrator for the Commonwealth's retiree healthcare programs. A governing board administers the PEBTF; one-half of the board is appointed by the Commonwealth and one-half is appointed by the various unions. Neither the Commonwealth nor the unions control the governing board or the PEBTF; administration is jointly and equally shared. The Commonwealth and certain of its employees pay for the cost of providing benefits. Contribution amounts are based on the terms contained in collective bargaining agreements. Employee unions are not financially responsible for making contributions. Neither the Commonwealth nor the employee unions have an equity interest or any ongoing financial interest in the PEBTF. Aside from its obligation to make periodic, established contributions, the Commonwealth is not responsible for any obligations of the PEBTF.

Primary Government - Fund Structure

Fund Accounting: In governmental accounting, a fund is defined as an independent fiscal and accounting entity, with a self-balancing set of accounts, recording cash and/or other resources together with all related liabilities and equities. The purpose

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

of a fund is for carrying on specific activities or attaining certain objectives in accordance with the fund's special regulations, restrictions or limitations. In the Commonwealth, funds are established by legislative enactment or, in certain rare cases, by administrative action.

The Commonwealth transactions are recorded in three fund types: governmental, proprietary and fiduciary funds. In addition, within each fund type there are various categories of funds. The governmental funds include two funds that qualify as major funds and the proprietary funds include six funds that qualify as major funds. Major funds are displayed in bold print in the Notes to the Financial Statements.

Governmental Funds

Governmental funds focus on the sources and uses of funds. Included in the governmental fund financial statements are general, special revenue, debt service, and capital project funds.

The **General Fund** is the Commonwealth's main operating fund. The **General Fund** accounts for all financial resources except those required to be accounted for in another fund.

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The **Motor License Fund**, one of several special revenue funds, is the only special revenue fund reported as a major fund.

The **Motor License Fund**, a major fund, receives revenues from liquid fuels taxes, licenses and fees on motor vehicle registrations and operating privileges, aviation fuel taxes, federal aid for highway and aviation purposes, contributions from local subdivisions for highway projects, and other miscellaneous highway revenues. The **Motor License Fund** makes expenditures for highway and bridge improvement, design, maintenance, and purchases of rights-of-way, as well as aviation activities and transportation licensing and safety activities. It also finances State Police highway patrol operations and pays subsidies to local subdivisions for construction and maintenance of roads.

Debt service funds account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest. There are no major debt service funds.

Capital projects funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments. There are no major capital projects funds.

Proprietary Funds

The Proprietary funds are used to account for activities that receive significant support from fees and charges. They focus on determining operating income, changes in financial position and cash flows. Generally accepted accounting principles, similar to those used by private sector businesses, are applied in accounting for these funds. Included in proprietary fund financial statements are enterprise funds and internal service funds.

Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the following criteria is met:

- The activity is financed with debt secured solely by a pledge of the net revenues from fees and charges of the activity;
- Laws or regulations require the activity's costs of providing services, including capital costs (such as depreciation, amortization or debt service), be recovered with fees and charges; or
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

The **State Lottery Fund**, **State Workers' Insurance Fund**, **Unemployment Compensation Fund**, **State Stores Fund**, **Tuition Payment Fund**, and **Commonwealth Financing Authority** are enterprise funds reported as major funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The **State Lottery Fund** provides for the operation of the Pennsylvania State Lottery and for programs to support older Pennsylvanians. Revenues are derived from the sale of lottery tickets, interest earned on securities and deposits, unclaimed prize monies, and federal grants. Fund expenses pay for prizes to holders of winning lottery tickets and commissions to local lottery agents. Amounts remaining after payment of lottery prizes and commissions are used to fund programs benefiting older Pennsylvanians including PENNCARE, PACE, PACENET, free mass transit and reduced fare shared-ride programs, and property tax and rent rebates.

The **State Workers' Insurance Fund (SWIF)** was created by legislation on June 2, 1915 and operates within the Department of Labor and Industry. It is a self-sustaining fund providing workers' compensation insurance to employers, including those who are refused policies by private insurance firms. The **SWIF** is subject to underwriting rules, classifications, and rates promulgated by rating bureaus authorized by the Commonwealth Insurance Commissioner. Premium rates are established by the bureaus based on the history of accidents by industry classification. Revenues are generated by premiums charged to policyholders plus investment earnings. Workers' compensation payments and administration costs are paid from the **SWIF**. The **SWIF** is reported for its fiscal year ended December 31, 2021.

The **Unemployment Compensation (UC) Fund** is comprised of five basic components: the Employer Contribution Fund, the UC Benefit Payment Fund, the Special Administration Fund, the UC Trust Fund, and the Lost Wages Assistance Fund. The purpose of these funds is to collect employer assessments for unemployment compensation and transfer the assessments to the Federal Government for deposit in the UC Trust Fund. As needed, these funds are drawn back to pay unemployment compensation payments to claimants.

The **State Stores Fund** accounts for the general operations of the Pennsylvania Liquor Control Board. Revenue is derived primarily from the sale of wine and spirits. Expenses include all costs associated with the operation and administration of the liquor store system and enforcement of the Liquor Control Law.

The **Tuition Payment Fund** offers a college savings program allowing participants to purchase college credits at the current year rates. The program is administered by the Tuition Account Program Bureau within the Treasury Department with oversight by the Tuition Account Program Advisory Board. Revenue is derived primarily from application fees, participant contributions, and investment earnings. Fund expenses consist mainly of payments to educational institutions and administrative costs.

The **Commonwealth Financing Authority (CFA)** is a blended CU. Please see the aforementioned description for the **CFA**.

Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the Commonwealth, or to other governmental units, on a cost-reimbursement basis.

The Purchasing Fund is used to purchase materials, supplies, services, and equipment for use by departments, agencies, boards, and commissions of state government, and to pay costs associated with administering the Purchasing Fund. The Purchasing Fund receives reimbursements from the various Commonwealth departments, boards, and commissions for the materials, services, and supplies provided. Also, the Purchasing Fund receives proceeds from the sale of vehicles and unserviceable property as well as from investment earnings.

The Manufacturing Fund uses inmate labor to produce items for the Department of Corrections and other Commonwealth agencies. The revenue source is the sale of items produced or services provided. Expenses include raw materials, inmate labor, and general and administrative costs.

Fiduciary Funds

Fiduciary funds are used to account for resources that a government holds as a trustee or custodian on behalf of an outside party and that cannot be used to support that government's own programs.

Trust and custodial funds account for assets held in a trustee capacity or as a custodian for third party beneficiaries, such as individuals, private organizations, other governmental units. Funds are classified as pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. The three types of trust funds are

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. With the exception of employee benefit trust funds, fiduciary fund resources may not be derived from Commonwealth revenues and other resources. The Commonwealth reports pension and other employee benefit trust funds and custodial funds.

The State Employees' Retirement System (SERS)-Pension, a defined benefit pension trust fund, accounts for the payment of retirement, disability, and death benefits to members of the SERS and their beneficiaries. The Deferred Compensation Fund is a pension trust fund that collects and administers amounts contributed by Commonwealth employees who defer a portion of their income until future years, in accordance with Internal Revenue Code Section 457. The SERS-Defined Contribution, a defined contribution pension trust fund, administered by the SERS, was established by Act 5 of 2017 to provide defined contribution retirement benefits to new members of the SERS effective January 1, 2019. The SERS-Pension, SERS-Defined Contribution and the Deferred Compensation Fund are reported for their fiscal years ended December 31, 2021.

The Public School Employees' Retirement System (PSERS)-Pension, a defined benefit pension trust fund, was created to administer and provide pension benefits to public school employees in Pennsylvania. The PSERS-Defined Contribution, a defined contribution pension trust fund, administered by the PSERS, was established by Act 5 of 2017 to provide defined contribution retirement benefits to new public school employees effective July 1, 2019.

The INVEST Program for Local Governments is an external investment pool, not held in trust, reported as a custodial fund that invests amounts owned by local governments, school districts, and not for profit entities. The INVEST Program for Local Governments is reported for its fiscal year ended December 31, 2021. Audited financial statements for that Program are available through the Chief Accounting Officer.

The Tuition Account Investment Program is a custodial fund that invests amounts on behalf of participants who are saving for college tuition costs. Audited financial statements for that Program are available through the Chief Accounting Officer.

The Monetary Penalty Endowments Trust Fund, a custodial fund, was established in accordance with Act 1 of 2013 to account for the monetary penalty payments from the Pennsylvania State University.

The Statutory Liquidator Fund, the largest custodial fund, converts the remaining assets of insolvent insurance companies to cash for remittance to policyholders, creditors, and stockholders. The order of distribution of the assets is established in Article V of the Pennsylvania Insurance Department Act of 1921 and on a Commonwealth Court approved percentage of claim basis. Although not yet determined, the actual amounts to be paid based on the amount of the remaining assets are expected to be less than the amounts actually claimed by creditors, policyholders, and stockholders.

The Custodial Accounts, a custodial fund, represents the combined resources held by the Department of Corrections for prison inmates, the Department of Human Services for residents of state health facilities, and the Department of Military and Veteran affairs for the residents of veteran long-term living facilities.

The Sales and Use Tax Fund, the Allegheny Regional Asset District Sales and Use Tax Fund, the PA Intergovernmental Cooperation Authority Tax Fund, and the Local Cigarette Tax Fund serve to collect and distribute local sales taxes to the appropriate local taxing authority for the convenience of taxpayers. These funds are reported as custodial funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Measurement Focus and Basis of Accounting - Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. This means that the statement of net position reports all assets (including capital assets, such as heavy trucks, highways, and bridges), all liabilities regardless of when payment is due and all deferred inflows and outflows of resources. The statement of activities includes all revenues and expenses (regardless of when cash is respectively received or paid). The statement of activities reports program revenues, which are revenues derived directly from a specific governmental function and are reported by the function, which generates the revenue. Charges for goods or services, most investment earnings, grant revenues, and fines are reported as program revenues. Neither program revenues nor expenses are reported for donated works of art, historical treasures or similar assets received during the fiscal year because such donations are not material. All tax revenues, except for unemployment compensation tax revenues which are reported as charges for sales and services program revenues, are classified as general revenues in the statement of activities. The statement of activities also reports governmental activities expenses that include governmental fund expenditures (those which are not eliminated or reclassified) and current year depreciation on capital assets, which recognizes the cost of ordinary use of the assets over their estimated useful lives. The costs of most employee benefits earned during the fiscal year (such as vacation time earned) and increases in self-insurance liabilities are also reported as expenses in the statement of activities when incurred, regardless of when the benefits are used or the liabilities are paid.

Measurement Focus and Basis of Accounting - Fund Financial Statements**Governmental Funds**

The **General Fund**, special revenue funds, debt service funds, and capital project funds (governmental funds) are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this measurement focus, current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are presented on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues of governmental funds are recognized in the year that they become susceptible to accrual (both measurable and available to pay current fiscal year liabilities). The Commonwealth accrues the following major revenue sources that are both measurable and available (available is defined as being received within 60 days of fiscal year-end for these revenues): sales and use taxes, cigarette taxes, corporation taxes, personal income taxes, liquid fuels taxes, inheritance taxes, liquor taxes, investment earnings, institutional revenues, and sales of goods and services. Grant revenues, including federal government grant revenues, are recognized when earned and available; accrued amounts due from the Federal Government are treated as available in the period in which all applicable eligibility requirements have been met. Revenues from most other sources are recognized when received.

Expenditures are generally recognized in the fiscal year the goods or services are received and the related fund liability is incurred. Debt service expenditures for principal and interest on general long-term obligations and other long-term liabilities are recognized when due. Prepaid items and inventory purchases are reported as current fiscal year expenditures, rather than allocating a portion of related cost to the fiscal year when the items are actually used. Expenditures are reported for amounts accrued at fiscal year-end that normally would be liquidated with expendable available financial resources.

Proprietary Funds and Fiduciary Funds

The enterprise, internal service (proprietary funds), pension (and other employee benefit) trust funds, and custodial funds (fiduciary) are reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operations of these funds are included on the statement of net position. Under the accrual basis of accounting, revenues are recognized in the fiscal year earned and expenses are recognized in the fiscal year incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds classify revenues and expenses as either operating or non-operating, depending on the nature of the activities reported in the individual fund. The majority of transactions are reported as operating; however, investment earnings and grants are reported as non-operating revenues by all proprietary funds. Fiduciary funds classify revenues and expenses as either additions or deductions to net position.

Significant Accounting Policies

Pooled Cash: In accordance with the Fiscal Code, cash balances of most Commonwealth funds are pooled by the Treasury Department. Cash balances are segregated by fund but accounted for centrally for receipt and disbursement purposes. The law requires that collateral be pledged by banks and other financial institutions to guarantee the Commonwealth's cash on deposit.

Cash Equivalents: No investments that could be defined as cash equivalents have been treated as such on the statement of cash flows; therefore, only net changes in cash are displayed.

Investment Pools: The Fiscal Code provides the Treasury Department with investment control over most Commonwealth funds. The Treasury Department uses a variety of internal investment pools that seek to provide preservation of principal, liquidity, diversification, and income for Commonwealth funds. All participating funds report amounts invested in such pools as temporary or long-term investments; the pools themselves are not financially reported. Periodic earnings are allocated to specific participating funds. Several individual funds have statutory authority to own investments outside the Commonwealth Investment Program (CIP). The Treasury Department maintains an external investment pool, the INVEST Program for Local Governments, which separately issues audited financial statements and is reported as an investment trust fund.

Temporary Investments: The Treasury Department manages the temporary investment pools. Practically all individual funds that are part of PG are participants in the temporary investment pools. Except for the INVEST Program, temporary investments are reported at fair value. Such investments, which are expected to be realized in cash within twelve months after fiscal year-end or less, are reported as temporary investments. The Treasury Department accounts for each participating fund's equity (considered "shares") on a daily basis. "Share" balances of participating funds may fluctuate considerably during the fiscal year, based on the timing of cash receipts and disbursements in the participating fund. These investments are considered internal investment pools. Periodic earnings are allocated to specific participating funds based on the weighted daily average share balance.

The INVEST Program reports all investments at amortized cost, which approximates fair value. The INVEST Program meets the provisions related to portfolio quality, custodial credit risk, and shadow pricing, which are required for an external investment pool to report investments at amortized cost.

Long-Term Investments: Investments expected to be realized in cash after more than twelve months from fiscal year-end are reported as long-term investments. Most long-term investments are reported at fair value, those not recorded at fair value are recorded at net asset value. In addition to long-term investments held by funds with statutory authority to own investments outside the CIP, the Treasury Department manages a long-term investment pool in which a number of individual funds participate. Income is allocated periodically to specific participating funds based on the net asset value of a fund's shares at redemption date. Income is also distributed periodically based on the net asset value of the pool and participant fund share balances on the income declaration date.

Inventories and Prepaid Expenses: Inventories of operating materials and supplies are reported by certain governmental activities. Operating and merchandise inventories are reported by proprietary funds and the SSHE, a DPCU. Operating materials and supplies inventories are valued at cost (first-in, first-out) and merchandise inventories are reported at the lower of cost or market using weighted average cost. In the governmental fund financial statements, inventories are accounted for using the purchases method whereby expenditures are reported for current-year purchases of operating materials and supplies. Prepaid expenses are not reported in governmental fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets and Depreciation: General capital assets (including infrastructure) and other capital assets are reported at cost or estimated historical cost in the statement of net position. Donated capital assets are reported at acquisition value at the time of donation. The cost of all land is reported; for other types of capital assets, the following minimum dollar reporting thresholds are used:

Land improvements, buildings and building improvements	\$	25
Machinery and equipment		25
Highway and bridge infrastructure		100
All other infrastructure		25
Computer software		1,000
Trademarks, patents and copyrights		100

Commonwealth agencies maintain inventories of all their respective capital assets, including assets acquired for less than the above minimum amounts, which are not capitalized in the basic financial statements.

The Pennsylvania Historical and Museum Commission (PHMC) owns diverse collections of historical, architectural, prehistoric and artistic artifacts, archives and manuscripts and scientific specimens. The Commonwealth does not capitalize these collections, as they meet the following criteria: PHMC's mission in acquiring these collections is for the purpose of preservation, education, research, and exhibition; PHMC secures and preserves all collections in order to adequately preserve Commonwealth history; and all acquisitions and deaccessions must be approved by the PHMC Collections Committee and the PHMC Executive Director. All amounts received from the deaccessioning of artifacts/collections are placed in a restricted account that can only be used for the purchase of new artifacts/collections.

The Commonwealth does not capitalize expenditures to protect farmland under the Agricultural Area Security Law since participating counties within the Commonwealth play a much greater role in administering the Law than the Commonwealth. Capital assets (excluding land and construction in progress) are depreciated/amortized over the estimated useful lives of major capital asset classes using the straight-line method. Depreciation/amortization expense is reported in the statement of activities as part of direct functional expenses; all depreciation/amortization is allocated to a specific function. Capital assets reported by proprietary funds are reported in those funds at cost or estimated historical cost. Depreciation/amortization is reported on the straight-line basis over the capital assets' estimated useful lives. Depreciation expense associated with capital assets procured under capital lease arrangements is reported as part of depreciation expense for other capital assets. The following useful lives are used for PG governmental activities:

Buildings and building improvements	40 years
Improvements other than buildings	30 years
Machinery and equipment	10 years
Highway heavy equipment	15 years
Highway infrastructure	25 years
Bridge infrastructure	50 years
Dams, dikes and pier infrastructure	50 years
Other infrastructure	20 years
Computer software	3 - 30 years
Trademarks, patents and copyrights	3 - 40 years

PG business-type activities report depreciation/amortization expense using useful lives that are very similar to the above and do not report any infrastructure. Certain land, buildings, and improvements owned by the Commonwealth and used by the SSHE, a DPCU, which were acquired or constructed before July 1, 1983 (the inception date for the SSHE), are financially reported as governmental activities capital assets. All general capital assets acquired or constructed for the SSHE subsequent to June 30, 1983 without the use of university funds or incurrence of SSHE debt are also reported as governmental activities capital assets. This reporting treatment is based on the title for the SSHE-used real property remaining with the PG. Based on agreements between the PG, through its Department of General Services (DGS), and SSHE universities in 2002, DGS effectively

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

transferred occupancy, custody, and control to the SSHE universities and the SSHE universities assumed financial responsibility and legal liability for the SSHE-used real property but the Commonwealth retained title.

Capital Asset Impairments: Through a variety of policies, Commonwealth management requires agencies to perform periodic assessments of general and other capital assets. Beyond initial reporting (upon acquisition), agencies must adhere to continuing policies regarding usability, function, and condition of reported capital assets. With few exceptions, Commonwealth agencies using capital assets must report impairments promptly.

Leases: The Commonwealth of Pennsylvania routinely engages in lease agreements to meet operational needs or serve the general public. The Commonwealth’s lease contracts generally relate to land, buildings and associated facilities, such as parking, and various machinery and equipment. For short-term leases with a maximum possible term of 12 months or less at commencement, the Commonwealth recognizes periodic revenue or expense based on the provisions of the lease contract. For all other contracts where the Commonwealth is the lessee, the Commonwealth recognizes a lease liability and an intangible right-to-use lease asset based on the present value of future lease payments over the contracted term of the lease. Lease right-to-use assets are reported with capital assets, and lease liabilities are reported as long-term debt in the statement of net position. The right-to-use lease assets are amortized over the term of the lease, as the Commonwealth is not expected to lease assets beyond the underlying asset’s useful life. On a more limited basis, the Commonwealth also serves as a lessor providing leases of state-owned land and buildings primarily through the Department of Conservation and Natural Resources and the Philadelphia Regional Port Authority (a blended CU). The financial statements recognize a lease receivable and a deferred inflow of resources, based on the present value of the future lease payments expected to be received during the contracted lease term, and the deferred inflow of resources is amortized evenly over the life of the lease.

The Commonwealth uses its estimated incremental borrowing rate as the discount rate for leases unless the rate the lessor charges is known. The Commonwealth’s incremental borrowing rate is based on the general obligation bonds’ weighted-average interest rate for a given year. If amendments or other certain circumstances occur that are expected to significantly affect the amount of the lease, the present value is remeasured and corresponding adjustments made. Many lease contracts include increases to rent payments related to the consumer price index (CPI) or similar indices, and the available index increase is included in the present value at the commencement of the lease or upon remeasurement. Payments based on future performance are not included in the measurement of the lease liability or lease receivable but recognized as revenue or expense in the period performed. Residual value guarantees and exercise options will be included in the measurement if they are reasonably certain to be paid or exercised.

A minimum dollar threshold was established for lease reporting:

Lease contracts - all categories..... \$100K

Deferred Outflows of Resources: A consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources have a natural debit balance and, therefore increase net position, similar to assets.

Deferred Inflows of Resources: An acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources have a natural credit balance and, therefore decrease net position, similar to liabilities.

Liabilities: Governmental, business-type, and proprietary liabilities in the statement of net position, are presented as either “current” or “noncurrent.” Liabilities are segregated into these categories by establishing an average maturity for the liability class and classifying the portion due within one year of the statement date as current and the portion due beyond one year of the statement date as noncurrent. For liabilities without specific maturity or due dates, estimates are made of maturities. Liabilities without specific due dates include those related to self-insurance and compensated absences.

Self-Insurance: The Commonwealth is self-insured for annuitant medical/hospital benefits, employee disability and tort claims. Note 8 provides disclosures for self-insurance liabilities and property loss coverage.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences: Most employees earn annual leave, depending on length of credited service, from between 4.24% to 11.55% of regular hours paid. Generally, a maximum of 45 days may be carried forward at the end of each calendar year. Employees are paid for accumulated annual leave upon termination or retirement.

Most employees earn sick leave based on 4.24% to 5.00% of regular hours paid. Generally, a maximum of 300 days may be carried forward at the end of each calendar year. Most retiring employees that meet service, age or disability requirements are paid in accordance with the following schedule:

<u>Days Available at Retirement</u>	<u>Percentage Payment</u>	<u>Maximum Days Paid</u>
0-100	30%	30
101-200	40%	80
201-300	50%	150
over 300 (in last year of employment)	100% of days over 300	13

Some collective bargaining agreements may have different accrual rates and payouts.

Accumulated annual and sick leave liabilities payable with expendable available financial resources are reported by governmental funds; all compensated absences payable are reported by governmental and business-type activities and fiduciary funds.

Pollution Remediation and Asset Retirement Obligations: In the government-wide statement of net position, pollution remediation and asset retirement obligations are reported at the current value of expected outlays to fund costs using the expected cash flow technique. This technique measures the sum of probability-weighted amounts in a range of possible estimated amounts and uses all expectations about possible cash flows on a site-specific basis. Such ranges are weighted within ‘most likely’, ‘worst case’ and/or ‘best case’ scenarios and are based on actual cost experience, cost estimates and/or discrete cost treatment possibilities. All reported obligation amounts are estimates and are subject to change resulting from price increases or reductions, technology, or changes in applicable laws or regulations. In cases where remediation or retirement activities beyond site investigation/assessment or feasibility studies have not begun, remaining costs are not reasonably estimable and liabilities for such cases are not reported.

Interfund Transactions: The Commonwealth has the following types of transactions between funds; between the PG governmental activities and business-type activities; and between the PG and DPCUs:

Statutory Transfers - Legally required transfers from specific funds that subsidize receiving fund programs, when paid, are reported as transfers in by the receiving fund and as transfers out by the disbursing fund. Legally required payments from the PG to CU organizations are reported when paid as governmental activities program expenses and as either operating grants and contributions or capital grants and contributions by CU organizations. Interfund balances (amounts due from/to other funds) are reported for unremitted, due and payable, transfers at fiscal year-end. In the statement of activities, only transfers between governmental activities and business-type activities are reported as transfers.

Transfers of Expenditures (Reimbursements) - Reimbursement of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Interfund Services Provided and Used - Charges or collections for services provided by one fund to another that are recorded as revenues and expenditures or expenses of the providing (reimbursed) fund are treated as reimbursements (above) and are eliminated. Expenditures or expenses of the using (reimbursing) fund are reported in fund financial statements and the statement of activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Balances: Amounts due from/to other funds are reported for unremitted charges or collections at fiscal year-end that arise in connection with routine, ordinary governmental fund and proprietary fund operations. The composition of the Commonwealth's interfund receivables/payables at June 30, 2022 and transfers in/out during the fiscal year ended June 30, 2022 are presented in Note 5. Interfund balances between two governmental funds or two proprietary funds are not reported in the statement of net position.

Investment Earnings: Investment earnings includes interest, dividends, realized gains and losses, and the change in the fair value of investments, if any, during the fiscal year. If the change in the fair value of investments decreases during any specific fiscal year, such decreases could cause reported overall investment earnings to be negative within specific funds. Similarly, realized losses could cause reported overall investment earnings to be negative within specific funds. Certain investment earnings from specific funds' investments is assigned to another fund and is reported by the receiving fund if the income is transferred for legal or contractual reasons; otherwise, the investment earnings is reported as a transfer by the receiving fund.

Grant and Intergovernmental Revenues: Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental revenues when entitlement occurs. Federal reimbursement-type grant revenues are recorded when the related expenditures or expenses are incurred and the revenue is available to pay expenditures. Intergovernmental revenues represent revenues received principally from the Federal Government and include revenues received from the PTC, a DPCU, based on Act 44 of 2007 and Act 89 of 2013, and the related lease and funding agreement between the PTC and the PG Department of Transportation.

Pension Costs, Liabilities and Deferred Items: The Commonwealth participates as an employer in the State Employees' Retirement System (SERS) pension plan and nonemployer contributing entity in the Public School Employees' Retirement System (PSERS) pension plan. The Commonwealth's policy is to fund employer contributions to the SERS and PSERS as required by their Boards, through statutory authority, or as required based on other applicable statutory requirements. As prescribed by GASB 68, actuarial valuations were prepared to value the total and net pension liabilities, deferred outflows of resources, and deferred inflows of resources for each pension plan. In the government-wide statement of net position and the proprietary fund statement of net position the Commonwealth will report its share of the net pension liability, deferred outflows of resources, and deferred inflows of resources at the actuarial present value. The changes in the net pension liability will be recognized in pension expense. Deferred outflows of resources and deferred inflows of resources balances will be amortized over a closed period matching the expected remaining service life of all employees or a closed period of five years.

Other Postemployment Benefits (OPEB) Costs, Liabilities and Deferred Items: The Commonwealth participates as an employer in five OPEB plans: The Retired Employees Health Program (REHP), the Retired Pennsylvania State Police Program (RPSPP), the Unified Judicial System's Postemployment Medical Plan (Judiciary), Pennsylvania House of Representatives Postemployment Benefits Plan (House), and the Senate of Pennsylvania Other Postemployment Benefits Plan (Senate). The Commonwealth participates as a governmental nonemployer contributing entity in the Public School Employees' Retirement System Health Insurance Premium Assistance Program (Premium Assistance). As prescribed by GASB 75, actuarial valuations were prepared to value the total and net OPEB liabilities, deferred outflows of resources, and deferred inflows of resources for all six OPEB plans. In the government-wide statement of net position and the proprietary fund statement of net position the Commonwealth reports its share of the OPEB liability, deferred outflows of resources, and deferred inflows of resources at the actuarial present value. The changes in the OPEB liability are recognized in OPEB expense. Deferred outflows of resources and deferred inflows of resources balances are amortized over a closed period matching the expected remaining service life of all employees or a closed period of five years.

Indirect Expenses: In the statement of activities, the full-cost allocation treatment is used, whereby reported program expenses, by function, include any expenses which could be treated as indirect expenses of another function.

Interest Expense: In the statement of activities, no interest expense is reported by direct program costs. No interest expense was capitalized during the fiscal year ended June 30, 2022.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bonds Issued, Premium/Discount on Bonds Issued and Bond Issuance Costs: In governmental fund financial statements, the face amount of bonds issued and related premium/discount are separately reported as other financing sources/uses. Bond issuance costs are reported as expenditures. In government-wide financial statements, the face amount of bonds issued is reported as a liability and related premium/discount is amortized over the life of the outstanding debt and is reported as interest expense as part of functional governmental activities expenses. Bond issuance costs are reported as expenses in the period incurred.

Restricted Net Position: These amounts were determined based on enabling legislation, externally restricted by creditors, grantors, contributions or laws that provide for restrictions on how the resources of special (non-**General Fund**) funds may be used. At June 30, 2022, a portion of governmental activities net position was restricted based on a Federal Government purpose restriction.

Reclassifications: Certain amounts in the June 30, 2021 financial statements have been reclassified to conform to the June 30, 2022 presentation. These reclassifications had no effect on net position, or the changes thereto.

Governmental Funds Fund Balance Categories**Nonspendable:**

Nonspendable fund balances include amounts that cannot be spent because they are either not in a spendable form or they are legally or contractually required to be maintained intact.

Spendable Categories:

Restricted: Amounts which may only be spent for 1) expenditures in accordance with grants received from external parties or 2) expenditures for limited, specific purposes authorized by enabling legislation (which also authorizes the Commonwealth to assess, levy, charge or otherwise mandate payment of resources from external sources) are reported as restricted fund balance.

Unrestricted:

Committed: Commonwealth law, enacted by the General Assembly (legislature) and approved by the Governor, is the Commonwealth's highest level of decision-making authority. Both legislative enactment and gubernatorial approval on or prior to fiscal year-end are necessary to establish, modify and/or rescind amounts committed.

Assigned: Based on applicable Commonwealth laws, the Governor is responsible for accounting and financial reporting matters. Through a 1984 Executive Order, the Governor delegates this authority to the Secretary of the Budget. Through further delegation, amounts assigned are determined jointly, between the Governor's Budget Office and the Office of Comptroller Operations. Fund balances are reported as assigned when the Commonwealth intends for resources to be used for specific purposes, but the requirements for resources to be reported as restricted or committed have not been met.

Unassigned: This is a residual category. Only the **General Fund** can report a positive unassigned fund balance. The **General Fund** can also report a negative amount in the unassigned category. For other governmental funds where amounts restricted and/or committed exceed total fund balance, such funds report negative amounts in the unassigned category.

Classification among Fund Balance Categories: Commonwealth laws, including annual enacted budgets, include legally enforceable expenditure restrictions on all funds. Commonwealth laws do not specifically recognize 'restricted' or 'unrestricted' (committed, assigned or unassigned) fund balance amounts. For financial reporting purposes, fund balance amounts for individual Commonwealth funds are reported in the first classification for which the amount 'qualifies', in this order: nonspendable, restricted, committed, assigned, and unassigned. Amounts are considered to have been spent from the fund balance classification from which specific expenditures are legally authorized. Within individual, specific Commonwealth funds, based on applicable law, individual expenditures may be disbursed from only one, specific

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

appropriation at a time. Budgetary spending control occurs at the appropriation level. Since appropriations are not duplicated among the various GAAP-reported fund balance classifications and Commonwealth laws do not recognize the various classifications, accounting policies cannot establish that restricted amounts are spent before or after unrestricted amounts, or, within unrestricted amounts, that committed, assigned or unassigned amounts are spent in any specific order.

Budget Stabilization Reserve Fund: Act 91 of 2002 provided for the Budget Stabilization Reserve Fund (Fund), budgetarily, effective July 1, 2002, to gradually provide a budgetary reserve amounting to 6% of the revenues of the **General Fund**. This Fund is reported as part of the **General Fund** for financial reporting purposes. The Fund provides financial assistance to minimize future revenue shortfalls and deficits, and promote greater continuity and predictability in the funding of vital government services. It minimizes the need to increase taxes to balance the budget of the Commonwealth during periods of economic distress. See Note 15 for more information on the current balance of the Fund.

New Accounting Pronouncements - Adopted:

The GASB issued Statement No. 92, "Omnibus 2020" in January 2020. The purpose of this Statement is to enhance the comparability in accounting and financial reporting and improve the consistency of authoritative literature by focusing on practice issues that have been identified during the implementation of various GASB Statements.

The GASB issued Statement No. 93, "Replacement of Interbank Offered Rates" in March 2020. This Statement establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments.

The GASB issued Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" in June 2020. This statement looks to increase consistency and comparability related to the reporting of fiduciary component units that are established as Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan or other benefits of those plans. This statement did not have an impact on the Commonwealth's financial statements for the fiscal year ending June 30, 2022.

New Accounting Pronouncements - To Be Adopted:

The GASB issued Statement No. 91, "Conduit Debt Obligations" in August 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

The GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" in March 2020. The primary object is to address the financial reporting issues and improve the financial reporting related to public-private and public-public partnership arrangements.

The GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements" in May 2020. In order to better meet the information needs of users of financial statements, this statement establishes uniform accounting and financial reporting requirements for Subscription-Based Information Technology Arrangements.

The GASB issued Statement No. 99, "Omnibus 2022" in May 2022. The standard provides clarification or amends financial reporting requirements on a variety of accounting practices, including, but not limited to, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), and the supplemental Nutrition Assistance Program (SNAP).

The GASB issued Statement No. 100, "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62" in June 2022. The standard defines what constitutes as an accounting change and error correction and provides the financial reporting requirements that go along with each.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The GASB issued Statement No. 101, "Compensated Absences" in June 2022. The primary objective is to establish updated standards of accounting and financial reporting for compensated absences and other salary-related payments. The statement provides guidance related to liability recognition and the measurement of qualifying liabilities.

The new standards must be adopted as follows:

GASB Statement No. 91	Effective July 1, 2022 for financial statements for fiscal year ending June 30, 2023.
GASB Statement No. 94	Effective July 1, 2022 for financial statements for fiscal year ending June 30, 2023.
GASB Statement No. 96	Effective July 1, 2022 for financial statements for fiscal year ending June 30, 2023.
GASB Statement No. 99	Effective July 1, 2023 for financial statements for fiscal year ending June 30, 2024.
GASB Statement No. 100	Effective July 1, 2023 for financial statements for fiscal year ending June 30, 2024.
GASB Statement No. 101	Effective July 1, 2024 for financial statements for fiscal year ending June 30, 2025.

The effect of these statements has not yet been determined.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK**Authority for Deposits and Investments****Treasury Department**

The deposit and investment policies of the Treasury Department are governed by Sections 301, 301.1 and 505 of the Pennsylvania Fiscal Code (Act of 1929, P.L. 343), and Section 321.1 of the Pennsylvania Administrative Code (Act of 1929, P.L. 177, No. 175).

Treasury Department deposits must be held in insured depositories approved by the Board of Finance and Revenue and must be fully collateralized. The Fiscal Code grants the Treasury Department the authority to invest in any deposits and investments. This authority is subject, however, to the exercise of that degree of judgment and care under the 'prudent person' standard prevailing at that time. The 'prudent person' standard is one of judgment and care as defined by a person of discretion and intelligence, who is familiar with such matters, in exercising such standard in the management of their own affairs. And it must not be in regard to speculation but in regard to the permanent disposition of the funds considering the probable income to be derived therefrom as well as the probable safety of their capital. Treasury Department deposits and investments may include equity securities and mutual funds.

The Treasury Department manages the Commonwealth Investment Program (CIP). Practically all Commonwealth funds of the primary government are invested on a temporary basis in the CIP. The Treasury Department is required to exercise judgment and care in determining those investments that are appropriate for each Commonwealth fund based upon distinct investment criteria such as income needs, cash flow requirements, investment time horizons, and risk tolerance. All investments are made in accordance with the statutory authority described in the preceding paragraph. The CIP investment pools are invested in both equity securities, fixed income securities and loans to the primary government to achieve the investment objectives of the CIP funds. Asset allocation targets among cash, equity securities, fixed income securities and alternative investments are established in order to meet these overall objectives.

The Treasury Department has created Pools 999, 998 and 920 within the CIP, each with its own distinct investment strategies, goals, and holdings that reflect the differing needs of Commonwealth funds for income, cash flows, and risk tolerance. A highly liquid vehicle, Pool 999, consists of short-term fixed income securities and cash which provide a high degree of liquidity and security but only modest returns. Shares in this pool are classified as temporary investments. A less liquid vehicle, Pool 998, allows for investment in assets that offer potentially higher returns with commensurate risk. Shares in this pool are classified as long-term investments. Pool 920 was created to manage the monies of the Medical Marijuana Program Fund.

Other Investing Organizations

Certain investing organizations have statutory authority, which is comparable to the Treasury Department 'prudent person' authority above. The investments of such organizations are accounted for in the following funds: Workmen's Compensation, Workers' Compensation Security Trust, **State Workers Insurance Fund (SWIF)**, **Tuition Payment**, PA 529 Tuition Account Investment Program (also known as Pennsylvania 529 College and Career Savings Program), PA 529 Tuition Account Guaranteed Savings Program (also known as PA 529 Guaranteed Savings Plan), **Commonwealth Financing Authority (CFA)**, Pennsylvania Industrial Development Authority (PIDA), INVEST Program for Local Governments (INVEST Program), and Underground Storage Tank Indemnification (collectively, other investing organizations). Most of the other investing organizations establish contractual arrangements with investment managers, which identify investment objectives without providing strict limitations on 'allowable' investment purchases. Most of the other investing organizations prohibit investing in certain assets, such as commodities and futures contracts, private placements (except Section 144), and limited partnerships. Several of the organizations also prohibit short selling and margin transactions. An exception includes **Tuition Payment**; this organization permits some or all of the previously mentioned prohibited assets and transactions as well as foreign investments. **SWIF** and INVEST Program amounts are reported as of December 31, 2021 unless otherwise noted.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**Pension Trust Funds**

The State Employees' Retirement System (SERS), the Deferred Compensation Program (DCP), the Public School Employees' Retirement System (PSERS) and the Other Postemployment Benefit Investment Pool constitute combined pension (and other employee benefit) trust funds reported in the basic financial statements. The Other Postemployment Benefits Investment Pool is managed by the Treasury Department, whereas the other aforementioned trusts are managed outside the Treasury Department.

Pension trust funds avoid deposit risks as such deposits must be authorized by the Treasury Department. Several state laws govern investment authority for the SERS and the PSERS, such laws provide 'prudent person' investing authority. Allowable DCP investment options are established by the SERS under its applicable statutory authority. A material portion of total pension trust fund investments consists of equity securities, real estate and fixed income investments. The SERS and DCP are reported as of December 31, 2021.

Statutory Liquidator Fund

The Statutory Liquidator Fund, a custodial fund, investments are primarily managed by the affected insurance companies pursuant to liquidation orders issued by the PA Insurance Commissioner. Other investments are managed by the Insurance Department's Office of Liquidations, Rehabilitations and Special Funds. Also, a portion of Statutory Liquidator Fund holdings is invested in the CIP.

Fair Value of Investments**Treasury Department**

The Treasury Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

The Treasury Department has the following recurring fair value measurements as of June 30, 2022:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Debt Securities				
Corporate obligations	\$ 1,646,134	\$ —	\$ 1,646,107	\$ 27
U.S. Treasury obligations	2,672,926	2,672,926	—	—
Mortgage backed securities	1,027,618	—	1,027,618	—
Private placements	238,262	—	238,262	—
State and municipal obligations	16,778	—	16,778	—
Asset backed securities	12,298	—	12,298	—
U.S. convertibles	89	—	89	—
U.S. government sponsored enterprises	1,593,178	—	1,593,178	—
Commercial paper	10,468,805	—	10,468,805	—
Sovereign debt	88,816	—	88,816	—
Equity Securities				
Equity	2,535,388	2,497,191	—	38,197
Preferred securities	12,916	2,298	10,618	—
Other				
Certificates of deposits	1,518,041	—	1,518,041	—
Mutual funds	738,561	738,561	—	—
Money market mutual funds	17,743,644	17,019,234	724,410	—
Total investments by fair value level	\$ 40,313,454	\$ 22,930,210	\$ 17,345,020	\$ 38,224
Investments by Net Asset Value (NAV)				
Real estate alternative managers	77,352			
Fund of funds alternative managers	46,666			
Private equity alternative managers	69,938			
Absolute return alternative managers	63			
Total investments at NAV	194,019			
Total investments measured at fair value	\$ 40,507,473			

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt securities classified in Level 3 are valued by a loan pricing matrix. If vendor pricing is not available the price defaults to cost.

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Equity securities classified in Level 2 valuations are based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets. Level 3 valuations use proprietary or single source pricing derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Other securities classified in Level 1 of the fair value hierarchy consist of mutual funds. For mutual funds, the underlying funds are reported at fair value, determined by Vanguard based on the net asset value per share of each mutual fund as of the close of the New York Stock Exchange (NYSE) on the reporting date (level 1 inputs).

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

The Treasury Department has the following investments measured at the Net Asset Value (NAV):

	Fair Value	Unfunded Commitments	Redemptions Frequency	Redemption Notice Period
Real estate alternative managers ⁽¹⁾	\$ 77,352	\$ —	Monthly	n/a, 30-60 days
Fund of funds alternative managers ⁽²⁾	46,666	15,875	Monthly, Quarterly	n/a, 45-90 days
Private equity alternative managers ⁽³⁾	69,938	6,847	n/a	n/a, 60 days
Absolute return alternative managers ⁽⁴⁾	63	—	n/a	n/a, 60 days
Total investments at NAV	\$ 194,019	\$ 22,722		

(1) Real Estate Managers - This type of investment’s objective is to provide investors a return by investing in Real Estate Investment Trusts, mortgage loans, and other real estate development projects in certain metropolitan markets. The fair value of the investments in these managers have been determined using the NAV per share (or its equivalent) of the investments. For one investment valued at \$1,000, Develop, DC, the invested funds cannot be withdrawn until the agreement expires.

(2) Fund of Fund Managers - This type of investment objective aims to achieve broad diversification and appropriate asset allocation with investments in a variety of fund categories that are all wrapped into one fund. This strategy invests in portfolios that contains different underlying assets through investing in other types of funds instead of investing directly in bonds, stocks and other types of securities. The fair value of the investments in this manager have been determined using the NAV per share (or its equivalent) of the investments. The redemption notices of these investments vary from no notice specified, 45 or 90 day required notice.

(3) Private Equity Managers - This type of investment objective is to provide an above average return by investing in private companies across a variety of industries. The fair value of the investments in this manager have been determined using the NAV per share (or its equivalent) of the investments. These investments cannot be easily redeemed as distributions are received through the liquidation of the underlying assets. For this category, the invested funds cannot be withdrawn until the agreement expires.

(4) Absolute Return Managers - This type of investment vehicle seeks to make positive returns by employing investment management techniques that differ from traditional mutual funds. The fair value of the investments in this manager have been determined using the NAV per share (or its equivalent) of the investments. The invested funds cannot be withdrawn until the agreement expires.

State Employees’ Retirement System (SERS)

The SERS fair value hierarchy is broken down into three levels based on inputs that market participants would use in valuing assets and liabilities derived from market data as follows:

- Level 1 inputs: are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs: are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are observable.
- Level 3 inputs: are unobservable inputs used to measure fair value if relevant observable inputs are not available for the asset or liability at the reporting date.

Most common and preferred stocks, commingled public equity funds, real estate securities, foreign exchange contracts, and the Defined Contribution Plan’s target date funds, commingled fix income funds, and self-directed brokerage account are valued using prices quoted in active markets for those securities and are categorized as Level 1. They are marked to market daily with changes in fair value recognized as part of investments and investment earnings. Most fixed income securities are valued using a matrix pricing technique and are categorized as Level 2. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices and recently printed security specific trading levels. Value add/opportunistic separately managed accounts (SMA) in real estate, certain fixed income securities, and other securities classified

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

in Level 3 reflect prices, which may use several unobservable inputs using assumptions based on market methodologies to determine the fair value of investments. A majority of the Level 3 investments are real estate investments where the fair value is determined based on appraisals using discounted cash flows, recent comparable sales, and current market conditions. All SMAs are to be independently appraised not less than once every three years by appraisers who meet specific professional qualifications. The valuation process involves significant judgment and estimating; thus, the value upon sale of an asset may differ from its appraised value.

Certain derivative instruments in the Defined Benefit Plan, such as foreign exchange contracts, interest rate swaps, credit default swaps, and futures, as well as the self-directed brokerage account in the Defined Contribution Plan, are included in other investments in the fair value tables.

The SERS has the following fair value measurements as of December 31, 2021:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Defined Benefit Plan				
Fixed Income				
Agencies	\$ 24,010	\$ —	\$ 24,010	\$ —
Asset and mortgage backed securities	165,233	—	164,750	483
Corporates	3,110,352	—	3,099,215	11,137
Government	3,027,520	—	3,027,520	—
Sovereign debt	280,623	—	280,623	—
Private placements	385,261	—	374,337	10,924
Equity				
Domestic common and preferred stocks	12,644,878	12,632,716	12,162	—
Foreign common and preferred stocks	937,744	937,744	—	—
Real Estate				
Real estate securities	377,783	377,783	—	—
Value add/opportunistic SMA	641,875	—	—	641,875
Other Investments	(94)	(343)	249	—
Total investments by fair value level	\$ 21,595,185	\$ 13,947,900	\$ 6,982,866	\$ 664,419
Investments by Net Asset Value (NAV)				
Buyouts private equity	3,682,734			
Growth equity private equity	1,498,827			
Legacy private equity	505,879			
Special situations private equity	678,861			
Diversified credit private equity	438,047			
Direct lending private equity	341,730			
Distressed debt private equity	291,294			
Core/core plus real estate	1,257,648			
Value add/opportunistic real estate	706,000			
Legacy real assets real estate	147			
Opportunistic fixed income hedge funds	912,490			
Legacy hedge funds	21,539			
Commingled public equity funds	5,526,758			
Commingled fixed income funds	1,656,599			
Total investments at NAV	17,518,553			
Total investments measured at fair value	39,113,738			

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

Investments by Fair Value Level	Total	Level 1
Defined Contribution Plan		
Target date funds	\$ 63,914	\$ 63,914
Commingled public equity funds	6,383	6,383
Commingled fixed income funds	1,000	1,000
Other investments	88	88
Total investments measured at fair value	\$ 71,385	\$ 71,385

Private equity limited partnerships are valued at the NAV of the SERS' ownership interest in partners' capital, which approximates fair value. The NAV is determined by the general partners. Private equity limited partnerships are audited at least annually. Since private equity investments in such partnerships are generally illiquid with holding periods lasting three to ten years, the value realized by the SERS upon disposition may differ from estimated values reflected in the financial statements. The SERS' private equity investments on the Statement of Fiduciary Net Position are categorized into the following strategies:

- Buyouts are investments in established businesses that are undergoing a fundamental change in operations or strategy.
- Growth Equity consists of private equity investments in late-stage venture, minority growth equity, and small buyout strategies.
- Special Situations are investments in funds that acquire distressed companies or companies in need of restructuring, funds from the secondary market, and funds providing mezzanine financing.
- Legacy Private Equity consists of a consolidation of private equity funds from various sub asset-classes (Buyouts, Growth Equity/Venture Capital, and Special Situations) that were not considered part of the SERS core investment strategy. These assets are currently being managed by a third-party administrator which provides day-to-day oversight of operations.
- Private Credit are closed-end (drawdown) limited partnership structures, often with a significant contractual cash flow component, with liquidity events in five to ten years. Private Credit investments are broken out and stated separately using the following strategies:
 - Direct Lending are funds that will lend money to privately held firms, often as part of a private equity-leveraged buyout transaction. These loans tend to be predominantly medium-duration, floating rate, and senior in the capital structure.
 - Diversified Credit are funds that invest in various credit strategies including specialty lending, niche credit opportunities, mezzanine and other debt securities, credit derivative instruments, structured credit and structured equity.
 - Distressed Debt invest in the credit securities of distressed companies or companies in need of restructuring.

Real estate limited partnerships are valued at the NAV of the SERS' ownership percentage in partners' capital. Real estate limited partnerships produce quarterly capital account statements and are audited at least annually. The investment managers use third-party appraisals based on discounted cash flows, recent comparable sales, and current market conditions to arrive at NAV. The appraisal process involves significant judgment and estimating; thus, the value upon sale of an asset may differ from its appraised value.

Because the investments in such partnerships are generally illiquid with holding periods lasting seven to ten years, the value realized by the SERS upon disposition may differ materially from estimated values reflected in the financial statements. The following portions of the SERS' real estate investments are valued at NAV:

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

- Value Add/Opportunistic Funds utilize greater leverage and development strategies relative to core strategies, thereby taking higher risks but demand higher returns. Returns are primarily generated from capital appreciation from opportunistic investments. Strategies for this category of investing can include niche opportunities that are typically not available in core-style investing. These are closed-end funds.
- Core/Core Plus are a long-term investment in high-quality real estate that generates returns primarily from stable income producing properties. These are open-end funds.
- Legacy Real Assets differ from real estate in that they focus on other real assets other than real estate but maintain the characteristics of collateralization by hard assets and income-producing potential.

Hedge funds are valued on a monthly basis by general partners based on information provided by underlying hedge fund investments, third-party administrators, and brokers. Hedge fund investments in limited partnerships are valued using NAV of units held at the end of the period based on the fair value of underlying investments. Hedge funds are valued on a monthly basis and are audited at least annually. Most of the hedge fund investments are being scaled down since they are not part of the current investment strategy. Hedge funds are categorized into the following specific strategies:

- Opportunistic Fixed Income are investments that include directional and relative value investments through various structures, excluding closed-end funds, that may include debt securities, credit derivative instruments and related instruments, and/or multi-sector fixed income funds.
- Legacy Hedge Funds includes hedge funds that the SERS is no longer actively investing in. The assets are to be sold in an orderly fashion as market conditions dictate.

The Defined Benefit Plan’s commingled public equity and fixed income funds are pooled investments in multiple securities, with each fund being valued at NAV on a monthly basis. The NAV is calculated using the closing price of the underlying investments, with the total value of the fund being apportioned to the SERS based on units of ownership.

The SERS has the following investments measured at the Net Asset Value (NAV) as of December 31, 2021:

Defined Benefit Plan	Fair Value	Unfunded Commitments	Redemptions Frequency	Redemption Notice Period
Buyouts private equity	\$ 3,682,734	\$ 1,372,001	n/a	n/a
Growth equity private equity	1,498,827	239,993	n/a	n/a
Legacy private equity	505,879	58,642	n/a	n/a
Special situations private equity	678,861	503,500	n/a	n/a
Diversified credit private equity	438,047	434,904	n/a	n/a
Direct lending private equity	341,730	220,318	n/a	n/a
Distressed debt private equity	291,294	144,663	n/a	n/a
Core/core plus real estate	1,257,648	21,869	Quarterly	60 - 90 days
Value add/opportunistic real estate	706,000	441,001	n/a	n/a
Legacy real assets real estate	147	—	Daily	None
Opportunistic fixed income hedge funds	912,490	—	Quarterly	95 days
Legacy hedge funds	21,539	—	see note (1)	see note (1)
Commingled public equity funds	5,526,758	—	Daily	30 days
Commingled fixed income funds	1,656,599	—	Quarterly	30 days
Total investments at NAV	\$ 17,518,553	\$ 3,436,891		

(1) The assets are to be sold in an orderly fashion as market conditions dictate.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

The SERS also has investments that are not measured at fair value or the NAV, which were excluded from the previous tables. The SERS owns a portion of the Commonwealth Treasury Department's (Treasury Department) short-term investment fund (STIF). The SERS portion of STIF is valued at amortized cost. The value of the SERS Defined Benefit Plan and Defined Contribution Plan portions of the STIF were \$1,220,882 and \$7,958, as of December 31, 2021. Additionally, the SERS has investments that are carried at cost. These other investments totaled \$8,364 as of December 31, 2021.

Deferred Compensation Program (DCP)

The DCP utilizes the fair value hierarchy, which contains three levels, and is based on the valuation inputs used to measure an asset's fair value.

- Level 1 inputs: are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs: are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are observable.
- Level 3 inputs: are unobservable inputs used to measure fair value if relevant observable inputs are not available for the asset or liability at the reporting date.

The Target Date Funds, U.S. bond index fund, core equity funds (U.S. large-cap; U.S. mid/small-cap, global non-U.S. equities), and Self-Directed Brokerage Accounts are valued using prices quoted in active markets for those securities and are categorized as Level 1 of the fair value hierarchy. The total value of the fund is apportioned to the DCP based on units of ownership. Funds are marked to market daily with changes in fair value recognized as part of investment and investment earnings.

The Stable Value Fund is a multi-manager and multi-insurance wrap set-up and is not valued within the fair value hierarchy. The Stable Value Fund is valued at Net Asset Value (NAV). NAV for the Stable Value Fund represents the consolidated values of the multiple managers that were hired by the fund manager.

The DCP also has investments that are not measured at fair value or NAV and are excluded from the following fair value hierarchy table. These investments include cash, Short-Term Investment Fund, the Commonwealth Treasury Department's short-term investment fund (STIF), and a group annuity contract totaling \$90,431 for December 31, 2021. The Short-term Investment Fund and STIF are valued at amortized cost with the total value of the fund being apportioned to the DCP based on units of ownership. The group annuity contract, which is no longer offered to participants, is valued at contract value. Contract value for the group annuity contract represents contributions made under the contract, plus earnings, less payments made to retirees and terminated participants.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

The DCP has the following fair value measurements as of December 31, 2021:

Investments by Fair Value Level	Level 1
Self directed brokerage accounts	\$ 187,645
Commingled investment funds	
Target date funds	963,097
U.S. large company stock index fund	1,398,222
U.S. small/mid company index fund	550,035
U.S. bond index fund	241,978
Global non-U.S. stock index fund	182,982
Total investments by fair value level	<u>\$ 3,523,959</u>
Investments by Net Asset Value (NAV)	
Stable value fund	<u>\$ 1,204,502</u>
Total investments measured at fair value	<u><u>\$ 4,728,461</u></u>

Public School Employees’ Retirement System (PSERS)

The PSERS measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1 inputs: Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price for an identical asset or liability in an active market (e.g., an equity security traded on a major exchange) provides the most reliable fair value measurement and, if available, should be used to measure fair value in that particular market.
- Level 2 inputs: Level 2 inputs are prices that are observable either directly or indirectly. Level 2 inputs may include quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable such as interest rates, yield curves, implied volatilities, credit spreads or market-corroborated inputs.
- Level 3 inputs: Reporting entities may use unobservable inputs to measure fair value if relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. These unobservable inputs are considered Level 3.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

At June 30, 2022, the PSERS had the following recurring fair value measurements:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Short-term				
PSERS Short-Term Investment Fund	\$ 8,145,521	\$ 6,876,768	\$ 1,268,753	\$ —
Other domestic short-term	755,232	751,519	3,713	—
International short-term	14,457	11,770	2,687	—
Fixed income				
Domestic asset backed and mortgage backed securities	603,577	—	603,577	—
U.S. government and agency obligations	10,513,307	10,505,354	7,953	—
Domestic corporate and taxable municipal bonds	766,260	—	766,260	—
International fixed income	255,118	21,253	233,865	—
Common and preferred stock				
Domestic equity	8,217,398	8,217,398	—	—
International equity	7,256,999	7,256,996	—	3
Directly owned real estate	1,721,215	(136,235)	—	1,857,450
Total investments by fair value level	\$ 38,249,084	\$ 33,504,823	\$ 2,886,808	\$ 1,857,453
Investments by Net Asset Value (NAV)				
Collective trust funds - fixed income	1,614,531			
Collective trust funds - equity	1,661,996			
Collective trust funds - other	5,481,102			
Equity real estate	4,281,128			
Private infrastructure	1,119,757			
Private equity alternative investments	12,459,390			
Private credit alternative investments	5,257,782			
Absolute return alternative investments	183,803			
Total investments at NAV	32,059,489			
Total investments measured at fair value	\$ 70,308,573			
Investment derivative instruments				
Futures	64,144	64,144		
Total return type swaps	(859,392)	(859,392)		
Foreign exchange contracts	10,685	10,685		
Options	3213	3213		
Total investment derivative instruments	\$ (781,350)	\$ (781,350)		

Debt, equity, and derivative instrument securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices and recently published security specific trading levels. Short-term securities are carried at cost, which approximates fair value, unless they have published market prices or quotations from national securities exchanges or securities pricing services, in which case they are valued at the published market price. Fixed income securities and common and preferred stocks are generally valued based on published market prices and quotations from national securities exchanges or securities pricing services. Securities which are not traded on a national securities exchange are valued by the respective fund manager or other third parties based on similar sales.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

For Collective trust fund investments (CTF), management in consultation with investment advisors has determined the fair value based upon the reported share value of the respective fund. The reported share value of the fund is based upon each respective fund’s administrator statement.

Alternative investments, which include private equity, equity real estate, private credit, and private infrastructure, are generally organized as limited partnerships. The fair value of investments that are organized as limited partnerships, and has no readily available daily fair value, has been determined by using the net asset value per share (or its equivalent) of PSERS’ ownership interest in partners’ capital. These net asset values are based on the individual investor’s June 30, 2022 capital account balance reported at fair value by the general partner of the respective limited partnership, or the most recently available reporting period, adjusted for subsequent contributions, distributions, management fees, changes in values of foreign currency, and published market prices for certain securities.

The limited partnerships’ annual financial statements are audited by independent auditors, which produce estimates of fair values. When estimating fair values, it is possible that these estimates could change in the near-term, or upon the sale of the assets, resulting in valuations that could differ from the June 30, 2022, reported net asset value.

Directly-owned real estate investments are valued based upon the June 30th financial statements completed by the asset manager. The directly-owned real estate investments are appraised annually by an independent third-party appraiser as of calendar year-end unless subject to a waiver as approved by the Deputy CIO or CIO. Properties not appraised are internally valued by the asset manager at fair market value. Certain properties acquired with no appraisal are held at cost. Directly-owned real estate investments are reported net of related debt borrowed against the market value of the property. The \$132,000 of open-ended repurchase agreements that were netted against the related property valuations and classified as Level 1 in FY 2021 were paid in full during FY 2022. At June 30, 2022 and 2021, \$136,235 of mortgage financings were netted against the related property valuations and classified as Level 1. Three mortgage loans totaling \$102,000 have monthly interest-only payments at a fixed interest rate of 1.70% with all principal due at March 1, 2026. A fourth mortgage loan totaling \$34,235 has monthly interest-only payments at a fixed interest rate of 3.97% with all principal due at March 1, 2026.

Derivative instruments classified in Level 1 of the fair value hierarchy are valued using observable exchange, dealer, or broker market pricing.

The valuation method for investments measured at the NAV per share (or its equivalent) as of June 30, 2022 is presented in the following table:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemptions Frequency</u>	<u>Redemption Notice Period</u>
Collective trust funds - fixed income ⁽¹⁾	\$ 1,614,531	\$ —	see note (1)	see note (1)
Collective trust funds - common and preferred stock ⁽¹⁾	1,661,996	—	see note (1)	see note (1)
Collective trust funds ⁽¹⁾	5,481,102	—	see note (1)	see note (1)
Equity real estate ⁽²⁾	4,281,128	2,268,595	see note (2)	see note (2)
Infrastructure ⁽⁵⁾	1,119,757	1,323,421	see note (5)	see note (5)
Private equity alternative investments ⁽³⁾	12,459,390	4,440,134	see note (3)	see note (3)
Private credit alternative investments ⁽⁴⁾	5,257,782	3,271,248	see note (4)	see note (4)
Absolute return alternative investments ⁽⁶⁾	183,803	325,740	see note (6)	see note (6)
Total investments at NAV	<u>\$ 32,059,489</u>	<u>\$ 11,629,138</u>		

(1) CTF consist primarily of domestic and international institutional funds. The fair value of CTF is based on the reported share value of the respective fund by the fund administrator. CTF are managed by investment advisors for which regulatory agencies such as the Securities and Exchange Commission have regulatory oversight. Investments that are not subject to this oversight are subject to annual independent audits. Redemption frequency for these assets range from monthly, to quarterly, to annual.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

(2) Equity real estate generally consists of real estate limited partnerships. These investments are across multiple assets types such as industrial, multi-family, office, retail, hotels, agriculture (permanent crops), and other real estate related assets. The equity real estate investments utilize core, value-added, and opportunistic strategies. Core real estate strategies are expected to deliver a significant percentage of their return from income and should demonstrate lower volatility than opportunistic and value-added strategies due to lower leverage, higher levels of occupancy, and asset location in primary markets. Value-added real estate strategies typically have near-term leasing, repositioning, and/or renovation risk. Value-added strategies are expected to have modest initial operating revenues with potential for substantial income growth and will likely encounter greater volatility than core strategies, but lower volatility than opportunistic strategies. Opportunistic real estate strategies typically have significant development, lease-up, financial restructuring, and/or liquidity risk with little or no initial operating income. Opportunistic real estate strategies typically utilize higher levels of leverage, are expected to achieve most of its return from future capital gains, and are likely to encounter greater volatility than core and value-added strategies. The fair value of the equity real estate investments has been determined using the NAV per share (or its equivalent) of the PSERS' ownership interest in partners' capital. These investments cannot be easily redeemed. Distributions from each fund may be received as: 1) cash flows from operations or 2) return of capital from dispositions. It is expected that the underlying assets of the equity real estate investments will be liquidated over the next 7 to 12 years.

(3) Private equity includes limited partnerships that investment in private companies and utilize buyout, growth equity, and venture capital strategies. Buyout funds acquire shares of a private company in an attempt to gain a controlling interest. Venture capital funds invest in young, relatively small, rapidly growing companies, typically in either the health care or information technology sectors. Growth equity funds are in between venture capital and buyouts in that they tend to have positive revenue growth and earnings at times, but don't have the leverage that is typical in a buyout investment. The fair value of the investments in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. These investments cannot be easily redeemed. Instead, the nature of the investments in private equity is that distributions are received through the orderly liquidation of the underlying assets of the fund throughout the stated term of the fund. It is expected that the underlying assets of the funds will be liquidated over the next 3 to 10 years in a typical private equity fund.

(4) Private credit includes limited partnerships and open ended funds that invest in all types of credit which is not traditional investment grade government or corporate debt. Private credit strategies include direct lending, mezzanine lending, distressed and special situations, specialty finance, structured credit, real estate credit, and real assets credit. Direct lending is focused on providing senior secured loans to middle-market businesses. Mezzanine is primarily focused on providing subordinated debt capital to private businesses. Distressed and special situations is focused on issuing loans to companies undergoing financial or operational challenges or purchasing publicly listed, stressed securities. Specialty finance is a set of niche lending strategies that provide financing to consumers, small businesses, and other borrowers. Structured credit is a set of strategies that target investments in securitized debt obligations, such as collateralized loan obligations and collateralized debt obligations. Real estate credit is focused on commercial real estate collateral or residential mortgage origination. Real assets credit is focused on providing debt capital to companies operating within the real asset space with loans typically secured by real assets. The fair value of the investments in this type have been determined using the NAV per share (or its equivalent) of the PSERS' ownership interest in partners' capital. These investments cannot be easily redeemed. Distributions from each fund may be received as: 1) cash flows from operations or 2) return of capital from dispositions. It is expected that the underlying assets of the funds will be liquidated over the next 3 to 5 years.

(5) Private infrastructure investments generally consist of limited partnership vehicles which invest in private companies and assets that provide essential services to the economy, including regulated assets, contracted energy assets, and transportation assets with high barriers to entry and stable and predictable long-term cash flows. Regulated assets generally include electricity transmission and distribution facilities, gas distribution systems, pipelines, water distribution, and wastewater collection and processing facilities. Contracted energy assets generally include renewable and conventional generation, pipelines, and storage. Transportation assets generally include toll roads, bridges and tunnels, airports, seaports, parking facilities, and rail lines. The fair value of the private infrastructure investments has been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. These investments cannot be easily redeemed. Distributions from each infrastructure investment may be received as: 1) cash flows from operations or 2) return of capital from dispositions. It is expected that the underlying assets of the infrastructure investments will be liquidated over the next 7 to 12 years.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

(6) Absolute return includes investments that are private investment funds that seek to produce absolute returns generally using event-driven, tactical trading, and relative value strategies. Event-driven funds seeks to gain an advantage from pricing inefficiencies that may occur before or after a corporate action or related event, such as a merger, spinoff, earnings call, bankruptcy, or restructuring. Tactical trading funds invest their holdings in indexes, commodities, interest rate instruments, and currencies as a result of relative value or directional forecasts from a systematic or discretionary approach. Relative value strategies use a range of fixed income arbitrage, insurance linked, long-short credit, and/or quantitative strategies that seek to take advantage of price differentials. The fair values of the investments in this type have been determined using the NAV per share of the investments. Approximately 90% of these investments can be redeemed from one to 12 months as of June 30, 2022. The remaining investments include restrictions that do not allow redemption during the next 12 months and are expected take as long as 7 years to be fully liquidated.

The Premium Assistance investment assets have the following recurring fair value measurements as of June 30, 2022:

- PSERS Short-Term Investment Fund of \$101,799 consists of Level 1 values of \$85,943 and Level 2 values of \$15,856.
- Other domestic short-term investments of \$108 consists of Level 2 values.

The Health Options Program (HOP) investment assets have the following recurring fair value measurements as of June 30, 2022:

- PSERS Short-Term Investment Fund of \$94,414 consists of Level 1 values of \$79,708 and Level 2 values of \$14,706.
- Other domestic short-term investments of \$300,204 consists of Level 1 values.

The Defined Contribution Plan investment assets have the following recurring fair value measurement at June 30, 2022:

- PSERS Short-Term Investment Fund of \$5,301 consists of Level 1 values of \$4,475 and Level 2 values of \$826.
- Other domestic short-term investments of \$3,442 consists of Level 1 values.
- DC Collective trust funds investments (DC-CTF) of \$90,895 are valued at NAV. They consist primarily of domestic and international institutional funds. The fair value of DC-CTF is based on the reported share value of the respective fund. DC-CTF are managed by state chartered banks for which various state banking departments have regulatory oversight and investment advisors for which regulatory agencies such as the Securities and Exchange Commission have regulatory oversight. Investments that are not subject to this oversight are subject to annual independent audits. Redemption frequency for these assets range from monthly, to quarterly, to annual.

Statutory Liquidator Fund

The Statutory Liquidator categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

The Statutory Liquidator Fund has the following recurring fair value measurements as of June 30, 2022:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Debt Securities				
Corporate obligations	\$ 86,711	\$ 202	\$ 86,509	\$ —
U.S. Treasury obligations	221,918	42,140	179,778	—
Mortgage backed securities	22,516	480	22,036	—
Private placements	33,602	—	13,329	20,273
State and municipal obligations	7,960	—	7,960	—
U.S. government sponsored enterprises	4,137	—	4,137	—
Asset backed securities	19,612	1,054	18,558	—
Sovereign debt	19,733	—	19,733	—
Alternative investments	11,895	—	11,895	—
Equity Securities				
Preferred securities	2,219	2,219	—	—
Other Securities				
Annuity	225	—	—	225
Treasury group investment ⁽¹⁾	2,116	—	2,116	—
Mutual Funds	30,191	5,431	—	24,760
Money market mutual funds	5,306	5,306	—	—
Total investments by fair value level	\$ 468,141	\$ 56,832	\$ 366,051	\$ 45,258

(1) The amount is 100% invested in the Treasury Group Consolidated Cash Pool which are made up of 53% Level 1 and 47% Level 2.

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt securities classified in Level 3 are valued by a loan pricing matrix. If vendor pricing is not available the price defaults to cost.

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Other securities classified in Level 1 of the fair value hierarchy consist of mutual funds. For mutual funds, the underlying funds are reported at fair value, determined by Vanguard based on the net asset value per share of each mutual fund as of the close of the New York Stock Exchange (NYSE) on the reporting date. Other securities classified in Level 2 of the fair value hierarchy consist of Treasury Pooled investments. The underlying investments for the pools consist of 53% Level 1 securities and 47% Level 2 securities.

Deposit Risks

At June 30, 2022, the Commonwealth had no bank balances that were subject to custodial risk because they were uninsured and uncollateralized. Statutory Liquidator Fund had deposits of \$18,399 that were subject to custodial deposit risk because they were uninsured and uncollateralized. The PSERS, through its third party administrator, maintains certain bank deposits for the operation of its voluntary Health Options Program. These deposits are not required to be collateralized by statute or policy. These deposits totaled \$300,204 at June 30, 2022 and are under the custody of its bank which has an A rating by Standard and Poor's (S&P) and an Aa3 rating by Moody's Investors Service (Moody's).

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**Cash with Fiscal Agent**

Within the business-type activities cash with fiscal agent, the **Unemployment Compensation Fund** reported \$87,653 and within the governmental activities cash with fiscal agent, the **General Fund** and the Game Fund reported \$14,128 and \$5,936, respectively. The **Unemployment Compensation Fund's** cash with fiscal agent is held with the Federal Unemployment Insurance Trust Fund. The **General Fund's** cash with fiscal agent is held with the Federal Unemployment Insurance Trust Fund, and bank accounts for Pennsylvania's judicial courts. The Game Fund cash with fiscal agent represents escrow accounts held for the purposes of land acquisition. The Statutory Liquidator, a custodial fund, also reported \$25,094 cash with fiscal agent.

Restricted Cash

Restricted cash consists of funds held for the payment of debt service interest and principal payments by the Philadelphia Regional Port Authority (PRPA), a blended non-major component unit, all of which is collateralized. At June 30, 2022, the PRPA reported carrying amount of restricted cash and cash equivalents were \$315.

Investment Risks

Risk Management Policies: The Treasury Department, which is responsible for the CIP, PA 529 Investment Plan, PA 529 Guaranteed Savings Plan, and INVEST Program, has formally adopted a written investment policy. Provisions of the written investment policy and current management of the investments address custodial credit risk, concentration of credit risk, credit risk, interest rate risk, and foreign currency risk. Most of the other investing organizations have adopted investment policies intended to reduce the various risks. Pension trust fund policies limit custodial credit risk to a minimum but are exposed to credit risk, interest rate, and foreign currency risk. Credit risk is mitigated by following policies to purchase only 'investment grade' securities (Baa/BBB/BBB or better). Interest rate risk policies have been adopted to limit the risk by establishing maximum maturities. The establishment of policies limiting investment purchases from a single issuer mitigates concentration risk. The individual risk policies and related disclosures are discussed in greater detail below.

Investments by Type

At June 30, 2022, the Treasury Department and other investing organizations, excluding Statutory Liquidator, Tuition Account Investment Program, the SERS, DCP and the PSERS, reported a total of \$40,905,655 in investments. Cash equivalents amounting to \$(49,052), which are held in the CIP and other portfolios, are reported as investments but are not included as part of fixed income investment disclosures. Excluding cash equivalents, total investments disclosed amount to \$40,954,707; of this amount, excluding equities and alternative investments (\$2,535,388 and \$194,019, respectively), fixed income investments disclosed amount to \$38,225,300.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

The investment types and related amounts are as follows:

Investment Type	Amount
Alternative Investments	\$ 194,019
Asset backed securities	12,298
Certificates of deposit	1,518,041
Commercial paper	10,468,805
Corporate obligations	1,646,134
Equity	2,535,388
Money market mutual funds	17,743,644
Mortgage-backed securities	1,027,618
Mutual funds	738,561
Preferred securities	12,916
Private placements	238,262
Securities lending collateral pool	447,234
Sovereign debt obligations	88,816
State and municipal obligations	16,778
U.S. convertibles	89
U.S. government sponsored enterprises	1,593,178
U.S. Treasury obligations	2,672,926
Total investments	40,954,707
Cash equivalents	(49,052)
Total investments and cash equivalents	\$ 40,905,655

In addition, at June 30, 2022, all reported investments of the Tuition Account Investment Program, amounting to \$4,074,989 consist entirely of mutual funds, \$4,065,812, and money market mutual funds, \$9,177.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event a counterparty fails to uphold its agreement to a transaction, with either the Treasury Department, the other investing organizations or the pension trust funds, they would not be able to recover the value of investment or collateral securities in the possession of an outside party. In accordance with a contractual relationship between the Treasury Department and its custodial agents, substantially all investments, where securities are used as evidence of the investment, are held by the custodians in book entry form in the name of the Commonwealth or the custodian. Similarly, investments of the other investing organizations and the pension trust funds are almost always registered in the name of the Commonwealth, as the Treasury Department is the statutory custodian for such investments. The CFA reported at June 30, 2022, \$841,910 of deposits and disclosed that due to the nature of the cash and cash equivalents balances, there is no custodial credit risk. The Tuition Account Investment Program reported at June 30, 2022, \$542,576 of bank investment contracts that are not insured by the FDIC or otherwise covered by collateral or supplementary insurance. Also, at June 30, 2022, only the Statutory Liquidator Fund, a custodial fund, owned investment securities subject to custodial credit risk, in the amount of \$404,092. Such securities are neither insured nor registered and are either held by the counterparty or the counterparty’s trust department or agent but not in the name of the Commonwealth. The investment types and related amounts are as follows:

Investment Type	Amount
Asset backed securities	\$ 19,611
Corporate obligations	86,711
Mortgage-backed securities	22,516
Private placements	33,603
Sovereign debts	19,733
U.S. Treasury obligations	221,918
Total	\$ 404,092

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the government’s investment in a single issuer. The Treasury Department places a 5% limit on the concentration of investments in any one fixed income issuer within the CIP, PA 529 Investment Plan, PA 529 Guaranteed Savings Plan, and INVEST Program. This limitation excludes government-sponsored enterprises (GSEs), direct obligations of the U.S. Treasury or U.S. government agencies, and repurchase agreements. The Treasury Department also places a 5% limit on the concentration of investments in one equity issuer within the CIP. Similarly, to a degree, the five other investing organizations limit exposure to concentration of credit risk. Several of the other investing organizations have adopted policies, which allow greater than 5% of portfolios to consist of securities issued by the U.S. Treasury. Among Treasury and other investing organizations, based on total portfolio value, the following concentrations existed as of June 30, 2022:

Issuer Name	Amount	% of Treasury and Other Investing Organizations Portfolio
U.S. Treasury	\$ 2,672,926	6.6%
First American	\$ 2,437,525	6.0%
Goldman Sachs	\$ 2,133,311	5.3%
Dreyfus Treasury Securities Cash Management	\$ 2,079,190	5.2%

The concentration of credit risk for the Statutory Liquidator Fund is as follows:

Issuer Name	Amount	% of Statutory Liquidators Portfolio
PIMCO Funds	\$ 50,465	9.7%

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by Nationally Recognized Statistical Rating Agencies (NRSRA) such as Moody’s Investors Service (Moody’s), Standard & Poor’s (S&P), and Fitch Ratings (Fitch). The Treasury Department requires purchases of CIP assets to be investment grade (Baa/BBB/BBB or better) at the time of purchase. The fixed income portfolio includes a provision for the asset allocation to allow up to 10% of the portfolio to be in high yield investments. These investments, by definition, are not restricted to the investment grade requirements and include investments rated at Ba/BB/BB or below. Generally, the other investing organizations limit exposure to credit risk through policies, which prevents purchasing below investment grade (Baa/BBB/BBB).

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

At June 30, 2022, \$38,225,300 of total Treasury and other investing organization investments of \$40,905,655 are fixed income investments, susceptible to credit quality rating; the remainder is primarily equities \$2,535,388, alternative investments \$194,019, cash equivalents, and various deposit accounts of \$49,052. Of the Treasury amount susceptible to credit quality rating, \$36,711,527 is rated; ratings are not available for \$1,172,368 of fixed income investments:

Moody's Investors Service	Amount
P-1	\$ 4,807,937
Aaa	3,421,209
Aa	27,931
A	329,639
Baa	575,106
Ba	176,396
B	47,366
Caa	8,196
Moody's Investors Service subtotal	9,393,780
Standard and Poor's	
A-1	16,910,040
AAA	23,626
AA	5,272,246
A	269,724
BBB	207,427
BB	34,128
B	12,725
CCC	590
Standard and Poor's subtotal	22,730,506
Fitch Ratings	
F-1	3,944,251
AAA	2,798
AA	3,145
A	577,498
BBB	53,513
BB	4,544
B	1,492
Fitch Ratings subtotal	4,587,241
Rated subtotal	36,711,527
Unrated subtotal	1,172,368
Total fixed income investments	\$ 37,883,895

At June 30, 2022, 0.78% (\$285,437) of rated fixed income Treasury investments of \$36,711,527 are rated below investment grade. Approximately 3.09% (\$1,172,368) of the fixed income portfolio in Treasury and other investing organizations are not rated by the NRSRAs. Unrated Fixed Income Investments include securities that did not have a credit rating available from a NRSRA at June 30, 2022. Among the Tuition Account Investment Program’s mutual fund portfolios, certain mutual funds hold fixed income investments susceptible to credit quality ratings and all such investments are rated Aaa-mf by Moody’s or AAAM by S&P.

The pension trust funds may expose themselves to greater credit risk than the Treasury Department or other investing organizations to meet specific investment objectives. The SERS' Defined Contribution Plan is exposed to credit risk through

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

investment in the Commonwealth Treasury Department’s STIF, which is not rated. The plan had \$7,958 in STIF as of December 31, 2021. The plan also has indirect exposure to credit risk through the commingled fixed income funds, which had a cumulative balance of \$1,000 as of December 31, 2021. These funds hold investment grade securities. The SERS' Defined Benefit Plan fixed income securities (at December 31, 2021), which are exposed to credit risk, are rated as follows:

Moody's Investors Service ¹	Amount
Aaa	\$ 372,564
Aa	329,243
A	1,061,168
Baa	1,954,811
Ba and below	198,895
Unrated ²	1,784,038
Short-term investments	1,220,882
Total	\$ 6,921,601

1. The Moody’s rating represents all of the securities that fall within subcategories of the ratings shown in this table. For example, a security with a rating of Ba1 is shown as a rating of Ba in this table.
2. ‘Unrated’ represents securities that were either not rated or had a withdrawn rating.

The PSERS fixed income securities, which are subject to credit risk rating, are listed below using the rating (expressed as S&P equivalent), available from Fitch, Moody’s, and/or S&P that indicates the greatest degree of risk at June 30, 2022:

Standard and Poor's Equivalent ¹	Amount
AAA	\$ 4,113,419
AA	2,712,774
A	875,885
BBB	802,534
BB and below	365,691
Unrated ²	3,629,077
U.S. government guaranteed ³	10,673,891
Total	\$ 23,173,271

1. The S&P rating represents all the securities that fall within subcategories of the ratings shown in this table. For example, a security with a rating of A+ is shown as a rating of A in this table.
2. ‘Unrated’ securities include \$1,614,531 in collective trust funds and \$724,869 in PSERS Short-Term Investment Fund assets.
3. Represents securities issued by the U.S. government and agency obligations explicitly guaranteed by the U.S. government and not considered to have credit risk.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

The Statutory Liquidator Fund fixed income securities at June 30, 2022, which are exposed to credit risk, are rated as follows:

Moody's Investors Service	Amount
Aaa	\$ 40,938
Aa	3,809
A	20,454
Baa	50,639
Ba	2,941
B	88
Caa	27
Ca	3,431
P-1	596
Moody's Investors Service subtotal	122,923
Standard and Poor's	
AAA	5,771
AA	211,645
A	24,264
BBB	33,987
BB	739
B	89
CCC	437
CC	113
D	1,090
Standard and Poor's subtotal	278,135
Rated subtotal	401,058
Unrated subtotal	119,220
Total fixed income investments	\$ 520,278

The \$520,278 exceeds the total of investments reported in the Statutory Liquidator Statement of Fiduciary Net Position as it also includes certain investments included within the cash with fiscal agents and other assets classifications.

Interest Rate Risk: Interest rate risk is the risk that an investment’s value will change, advantageously or adversely, due to a change in the absolute value of interest rates. The Treasury Department measures interest rate risk using duration. To limit Treasury’s exposure to fair value losses arising from rising interest rates, Treasury’s long-term asset allocation diversifies its fixed income core segment between intermediate duration and longer duration strategies. Duration is a measure of an investment’s sensitivity to changes in interest rates. The higher the duration, the greater the changes in fair value when interest rates change. Treasury measures interest rate risk using option-adjusted duration, which takes into account embedded options affecting cash flows. Other investing organizations use less sophisticated measurements to manage interest rate risk; several limit the maximum term-to-maturity of investment purchases. Further, to avoid interest rate risk, the other organizations deliberately hold a given percentage of total investments in very short-term securities to avoid the potential need to sell such securities at a loss.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

At June 30, 2022, Treasury and other investing organizations' fixed income portfolio, excluding Statutory Liquidator Fund and Tuition Account Investment Program, had the following option-adjusted durations (in years) by investment type:

Investment Type	Amount of Securities with Duration	Option-Adjusted Duration	Amount of Securities with no Duration	Total
Asset backed securities	\$ 9,654	1.920	\$ 2,644	\$ 12,298
Certificates of deposit	1,518,041	0.235	—	1,518,041
Commercial paper	10,468,805	0.118	—	10,468,805
Corporate obligations	1,457,555	6.756	188,579	1,646,134
Money market	17,743,643	0.080	1	17,743,644
Mortgage-backed securities	1,027,272	5.884	346	1,027,618
Mutual funds	—	—	397,156	397,156
Preferred securities	10,618	4.946	2,298	12,916
Private placements	234,735	5.053	3,527	238,262
Securities lending collateral pool	447,234	0.083	—	447,234
Sovereign debt obligations	88,816	4.054	—	88,816
State and municipal obligations	16,778	10.067	—	16,778
U.S. convertibles	89	2.330	—	89
U.S. government sponsored enterprises	1,593,178	0.147	—	1,593,178
U.S. Treasury obligations	2,672,926	3.879	—	2,672,926
Total	\$ 37,289,344		\$ 594,551	\$ 37,883,895

Neither the Statutory Liquidator Fund nor the Tuition Account Investment Program use option-adjusted duration as a means of managing interest rate risk; the following provides segmented time distribution for the Statutory Liquidator Fund:

Investment Type	Matured	No Maturity Date	Matures in less than 1 Year	Matures in 1 to 5 Years	Matures in 6 to 10 Years	Matures in 11 to 20 Years	Matures in 21 to 30 Years	Matures in 31 to 40 Years	Matures after 40 Years	Total
Alternative investments	\$ —	\$ —	\$ 2,209	\$ 6,719	\$ 1,125	\$ 409	\$ 1,433	\$ —	\$ —	\$ 11,895
Annuity	—	225	—	—	—	—	—	—	—	225
Asset backed securities	—	—	—	1,054	13,408	4,560	—	—	590	19,612
Cash & equivalents	—	37,170	—	—	—	—	—	—	—	37,170
Commonwealth investment program	—	2,116	—	—	—	—	—	—	—	2,116
Corporate obligations	—	—	6,103	37,785	30,740	5,134	5,478	1,378	94	86,712
Money markets	—	20,271	—	—	—	—	—	—	—	20,271
Mortgage-backed securities	—	—	—	1,182	153	8,911	10,189	2,081	—	22,516
Mutual funds	—	30,191	—	—	—	—	—	—	—	30,191
Preferred securities	—	117	—	—	—	2,103	—	—	—	2,220
Private placements	—	20,273	1,104	5,831	3,800	1,075	934	408	177	33,602
Sovereign debts	—	—	251	6,770	11,488	421	720	—	84	19,734
State and municipal obligations	—	—	—	1,685	945	3,529	1,631	170	—	7,960
U.S. government sponsored enterprises	—	—	—	—	4,137	—	—	—	—	4,137
U.S. Treasury obligations	1,000	1,293	63,789	144,071	10,860	167	738	—	—	221,918
Total	\$ 1,000	\$ 111,656	\$ 73,456	\$ 205,097	\$ 76,656	\$ 26,309	\$ 21,123	\$ 4,037	\$ 945	\$ 520,279

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

Within the Tuition Account Investment Program, the following mutual funds are exposed to interest rate risk:

	Amount	Average Duration	Average Effective Maturity
Vanguard Total Bond Market II Index Fund Institutional Shares	\$ 783,309	6.7 years	8.9 years
Vanguard Total Bond Market Index Fund Institutional Shares	26,758	6.7 years	8.9 years
Vanguard Short-Term Inflation-Protected Securities Index Fund Institutional Shares	68,684	2.5 years	2.5 years
Vanguard Total International Bond Index Fund Institutional Shares	530,370	7.7 years	9.1 years
Vanguard Federal Money Market Fund	9,177	N/A	28 days

Based on specific investment objectives, the pension trust funds may expose themselves to greater interest rate risk than Treasury or other investing organizations. Several investment choices, which may be selected by the DCP participants, including the Short-Term Investment Fund, the Stable Value Fund and the U.S. Bond Index Fund, include a variety of fixed income securities. Each pension trust fund uses option-adjusted duration (in years) as a measure of interest rate risk, as follows:

SERS' Defined Benefit Plan Investment Type	Amount	Option-Adjusted Duration
Asset and mortgage backed securities	\$ 165,233	3.60
Commingled investments funds	1,656,599	3.60
Corporate obligations	3,115,967	7.10
Sovereign debt obligations	280,623	8.60
Short-term investments	225,045	n/a
Treasury investment pool	995,837	0.10
U.S. Treasury obligations	3,027,520	9.60
U.S. government sponsored enterprises	24,010	3.80
U.S. private placements	387,802	3.40
Total	\$ 9,878,636	

The SERS' Defined Contribution Plan is exposed to interest rate risk through investment in the Commonwealth Treasury Department's STIF, which had a duration of approximately one month at December 31, 2021. The plan had \$7,958 in STIF as of December 31, 2021. The plan also has indirect exposure to interest rate risk through commingled fixed income funds, which have an average duration of approximately 6 years at December 31, 2021. The cumulative balance of these funds was \$1,000 as of December 31, 2021.

DCP Investment Type	Amount	Option-Adjusted Duration
Commingled investment funds	\$ 241,978	6.80
Treasury investment pool	89,688	0.10
Total	\$ 331,666	

PSERS Investment Type	Amount	Option-Adjusted Duration
Domestic asset-backed and mortgage-backed securities	\$ 3,898,511	1.00
U.S. government and agency obligations	7,218,373	11.50
Domestic corporate and taxable municipal bonds	766,260	3.00
International fixed income	255,118	2.00
Collective trust funds	1,614,531	4.10
PSERS Short-Term Investment Fund	8,347,035	0.10
Other Short-term assets	1,073,443	0.10
Total	\$ 23,173,271	

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

Fixed income investment managers enter into futures contracts to adjust the durations of their portfolios as a whole. In total, futures contracts have adjusted the PSERS' total portfolio duration upward by 0.1 at June 30, 2022.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Treasury Department's policy requires all investments to be denominated in U.S. dollars, issued under U.S. laws and regulations, designed for U.S. investors, and traded in U.S. markets. Investment managers may trade in foreign currencies if investments will be returned to U.S. dollars. The Treasury amounts invested, by currency, are as follows:

Foreign Currency	Equities	Preferred Securities	Total
Australian dollar	\$ 25,464	\$ —	\$ 25,464
Canadian dollar	49,043	—	49,043
Colombian peso	151	35	186
Danish krone	14,486	—	14,486
Euro currency unit	115,670	2,263	117,933
Hong Kong dollar	92,247	—	92,247
Hungarian forint	102	—	102
Indonesian rupiah	3,913	—	3,913
Israeli shekel	1,473	—	1,473
Japanese yen	90,378	—	90,378
Malaysian ringgit	5,975	—	5,975
Mexican peso	3,926	—	3,926
New Zealand dollar	2,877	—	2,877
Norwegian krone	1,390	—	1,390
Philippines peso	1,225	—	1,225
Pound sterling	63,245	—	63,245
Singapore dollar	4,776	—	4,776
South African rand	10,676	—	10,676
Swedish krona	9,964	—	9,964
Swiss franc	37,864	—	37,864
Thailand baht	2,088	—	2,088
Turkish lira	90	—	90
Total	\$ 537,023	\$ 2,298	\$ 539,321

Within the Tuition Account Investment Program, equities of \$1,047,644 are exposed to foreign currency risk.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

Each pension trust fund is exposed to foreign currency risk as part of meeting specific investing objectives or allocations among different classes of investments. The SERS' Defined Contribution Plan has indirect foreign currency exposure through its holdings in target date funds. The SERS' Defined Benefit Plan has indirect foreign currency exposure through its holdings in commingled public equity and commingled fixed income funds. The risks at December 31, 2021 are as follows:

Foreign Currency	Short-Term Investments ¹	Fixed Income	Common & Preferred Stocks	Other Investments	Real Estate	Private Equity	Total
European euro	\$ 12,388	\$ 21,452	\$ 126,595	\$ (3,008)	\$ 372,572	\$ 653,030	\$ 1,183,029
Swedish krona	—	—	5,571	778	—	131,993	138,342
British pound sterling ..	2,403	40,309	63,622	(2,194)	—	—	104,140
Japanese yen	585	—	68,486	3,601	—	—	72,672
Swiss franc	1,994	—	51,190	(1,767)	—	—	51,417
South Korean won	732	—	32,466	—	—	—	33,198
Australian dollar	179	—	27,452	4,021	—	—	31,652
Canadian dollar	297	2,554	26,454	(469)	—	—	28,836
New Taiwan dollar	13	—	27,066	—	—	—	27,079
Danish krone	448	—	25,172	277	—	—	25,897
Hong Kong dollar	55	—	21,693	—	—	—	21,748
Mexican peso	9	691	12,507	—	—	—	13,207
Thai baht	—	—	10,439	—	—	—	10,439
South African rand	68	636	5,163	—	—	—	5,867
Turkish lira	—	—	5,845	—	—	—	5,845
Indonesian rupiah	—	—	4,494	—	—	—	4,494
Norwegian krone	148	—	3,657	—	—	—	3,805
Polish zloty	114	—	2,089	—	—	—	2,203
Hungarian forint	—	—	1,741	—	—	—	1,741
Israeli shekel	—	—	1,515	—	—	—	1,515
Philippine peso	—	—	957	—	—	—	957
Malaysian ringgit	—	—	907	—	—	—	907
Other currencies (5)	158	1,192	333	(3,508)	—	—	(1,825)
Total	\$ 19,591	\$ 66,834	\$ 525,414	\$ (2,269)	\$ 372,572	\$ 785,023	\$ 1,767,165

1. Includes receivables and payables as of December 31, 2021 for securities sold and purchased.

In 2021, the DCP had indirect foreign currency exposure within commingled investments through the following investment options:

- Target Date Funds are diversified across global asset classes, with allocations changing over the funds' investment horizon. The funds include varying degrees of international equity and fixed income as part of their allocations.
- The Global Non-U.S. Stock Index Fund tracks the performance of the MSCI All Country World Index (ACWI) ex-U.S. index, which is made up of non-U.S. stocks from 22 developed markets and 24 emerging markets as of 2021.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

The PSERS is exposed to foreign currency risk for equity and other securities as follows:

Foreign Currency	Equities	Fixed income	Alternative Investments and Real Estate	Short-term ¹	Currency Hedge	Total
British pound sterling	\$ 770,689	\$ —	\$ 445,900	\$ 647	\$ (864,720)	\$ 352,516
Japanese yen	906,040	6,721	48,436	4,539	(762,005)	203,731
Taiwan new dollar	182,810	—	—	44	—	182,854
Indian rupee	152,569	—	—	167	—	152,736
South Korean won	74,696	—	—	762	—	75,458
Danish krone	125,349	—	—	1,724	(52,060)	75,013
Hong Kong dollar	300,984	—	—	72	(226,963)	74,093
Swiss franc	340,126	—	—	4,821	(274,238)	70,709
Euro	1,386,868	12,800	1,317,232	15,378	(2,817,021)	(84,743)
Other currencies	1,766,449	91,824	—	8,154	(1,695,102)	171,325
Total	\$ 6,006,580	\$ 111,345	\$ 1,811,568	\$ 36,308	\$ (6,692,109)	\$ 1,273,692

1. Includes investment receivables and payables.

Securities Lending Program

The Treasury Department provides a securities lending program in which the various investments under custody of the Treasury Department participate. A contract between the Treasury department and its custodian, acting as a lending agent, provides that the custodian lends securities owned by the participants to independent brokers, dealers and banks, acting as borrowers in exchange for collateral.

Lending agreements between the custodian and the borrowers require that the custodian receive collateral from the borrowers in exchange for the securities lent. Securities lent consist of both domestic and foreign equity and fixed income securities. For securities lent which are not denominated in U.S. dollars or whose primary trading market is located outside the U.S., the fair value of collateral received must be at least 105% of the fair value of the securities lent. For all other securities lent, the fair value of the collateral received must be at least 102%. Practically all collateral received consists of cash. A small portion of collateral received consists of letters of credit, U.S. Treasury, corporate and/or foreign debt obligations. Collateral is marked-to-market daily. Additional collateral from borrowers is required if the fair value of the collateral received declines below lending agreement requirements. The lending agent cannot pledge or sell collateral securities received unless the borrower defaults. Accordingly, neither collateral securities received from borrowers nor the related obligation to borrowers are reported.

To the extent collateral received consists of cash, the lending agent invests the cash in accordance with reinvestment guidelines approved by the Treasury Department. At June 30, 2022, 100% of the collateral was invested in overnight U.S. Government repurchase agreements. Either the lender or the borrower may terminate the loan on demand. Loans are typically of very short duration, usually overnight. The duration of lending agreements do not match the maturities of the investments made with the cash collateral. The resulting rate risk is mitigated by the lending agent’s ability to reallocate loans among program participants.

The program requires that the lending agent indemnify the Treasury Department for all claims, liabilities and costs resulting from the lending agent’s negligence or intentional misconduct. During the fiscal year ended June 30, 2022, there were no failures by any borrower to return securities lent or pay distributions thereon. Also, there were no losses resulting from a lending agent or borrower default and there were no Treasury Department restrictions on the amount of the loans that could be made.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

At June 30, 2022, the total fair value of the securities lent, along with the type of investments lent, were as follows:

Fund/Organization	Total Securities Lent	U.S. Treasury Obligations	U.S. Government Sponsored Enterprises	Corporate Obligations	Equities	Exchange Traded
State Employees' Retirement System	\$ 667,659	\$ 133,307	\$ 8,026	\$ 64,426	\$ 454,499	\$ 7,401
Public School Employees' Retirement System	72	—	—	—	72	—
Underground Storage Tank Indemnification Fund	7,651	3,113	518	4,020	—	—
Workers' Compensation Security Trust Fund	15,168	2,659	1,111	11,398	—	—
State Workers' Insurance Fund	15,747	6,977	—	8,770	—	—
Other Postemployment Benefits Investment Pool	193,746	181,629	—	—	12,117	—
Commonwealth Investment Program	112,090	15,896	5,150	16,337	5,246	69,461
Tuition Payment Fund	54,371	15,233	2,861	8,550	7,309	20,418

Public School Employees' Retirement System (PSERS)

The PSERS participates in a securities lending program with a third party agent. Under this program, the lending agent loans securities (equities, fixed income, and money market instruments) to independent brokers and dealers in exchange for U.S. dollar cash collateral in an amount not less than 102% of the fair value of any securities loaned. Collateral is marked-to-market daily. If the fair value of the collateral held falls below the minimum guidelines for securities loaned, additional collateral is obtained. The lending agent invests the cash collateral in accordance with reinvestment guidelines approved by the PSERS.

The PSERS minimizes its credit risk exposure by requiring borrowers to provide collateralization in excess of 100% of the fair value of the securities loaned. Under the securities lending program, the lending agent provides indemnification to the System if a borrower fails to return borrowed securities (and the collateral is inadequate to replace the loaned securities) or fails to pay income distributions on them. The lending agent also provides indemnification to the System if investment of cash collateral results in investment loss. There were no losses during the fiscal year ended June 30, 2022 resulting from a default of the borrowers or the lending agent. All securities loans can be terminated on demand by either the PSERS or the borrower, although the average term of the loan is one day. There were no term loans as of June 30, 2022.

Cash collateral is invested in a short-term collateral investment pool that is managed by the lending agent, is segregated from all other clients of the lending agent, and is not subject to custodial credit risk. The PSERS' income from securities lending represents the earnings from the cash collateral provided by the borrower less a fee paid to the third party agent minus a negotiated rebate of a portion of the earnings on the cash collateral. The weighted-average maturity of the investments in the pool was one day at June 30, 2022. During the fiscal years ended June 30, 2022, the mismatch between the maturities of the investments made with cash collateral and the maturities of the securities loans may have posed some interest rate risk to the System. In the event of a default, the lending agent may use the collateral to replace the loaned securities. As of June 30, 2022, the fair value of loaned securities was \$9,665,650. The fair value of the associated collateral was \$9,828,590, all of which was cash.

Derivative Instruments and Other Similar Investments

State Employees' Retirement System (SERS)

Within narrowly prescribed guidelines, the SERS Defined Benefit Plan and Defined Contribution Plan permit investment managers to directly enter into certain derivative and structured financial instruments primarily to hedge risk and reduce the volatility of its portfolio. Typically, investment managers enter into foreign exchange contracts to make payment for international investments and to hedge currency risk, futures contracts to manage interest rate risk, forward settling mortgage instruments for liquidity as well as to gain mortgage exposure, and swaps to more efficiently gain investment exposure in the equity and credit markets.

The SERS indirectly holds derivative and financial instruments through commingled fund structures in the Defined Benefit Plan and the Defined Contribution Plan. At a fund level, these managers hold foreign exchange contracts, futures contracts, and

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

certain swap contracts. These funds invest in instruments directly and indirectly to gain foreign exchange exposure and to manage interest rate risk by altering the average life of the portfolio. Derivative instruments are viewed within the context of the fund’s total portfolio and are consistent with the funds’ overall strategy.

The SERS is exposed to counterparty credit risk on all open derivative instrument positions. Counterparty credit risk is the risk that a derivative instrument counterparty may fail to meet its payment obligation under the derivative instrument contract.

The SERS invests in mortgage-backed securities (MBS) in the form of specified pools to maximize yields. These securities are sensitive to prepayments of mortgages, which may result from a drop in interest rates. The system also uses MBS forwards, which are forward-settling mortgage instruments that are used for liquidity as well as a low-cost, efficient way to gain mortgage exposure. The MBS forwards are subject to credit risk in the event of nonperformance by counterparties. The fair value of MBS forwards are \$101,000 as of December 31, 2021. These investments are included in fixed income in the Statement of Fiduciary Net Position.

Foreign exchange contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. The investment manager uses these contracts primarily for its international investments to settle pending trades that occur more than two business days after trade date. The contracts are used by the investment manager for the purpose of eliminating foreign exchange risk. As a matter of policy, the investment managers enter into these contracts at their full discretion to protect currency fluctuations. To reduce the risk of counterparty nonperformance, the investment managers generally enter into these contracts with institutions regarded as meeting high standards of creditworthiness. The unrealized gain/loss on contracts is included in the net position and represents the fair value of the contracts on December 31. At December 31, 2021, the SERS Defined Benefit had contracts to purchase and sell, by major foreign currency, as follows:

Foreign Currency	Purchases	Unrealized Gain/ (Loss)	Sales	Unrealized Gain/ (Loss)
Australian dollar	\$ 4,031	\$ 33	\$ 10	\$ —
Japanese yen	3,601	(66)	—	—
Canadian dollar	3,436	7	3,905	1
European euro	3,256	(60)	6,264	(4)
Norwegian krone	1,405	(50)	1,405	(42)
Russian ruble	1,260	2	1,260	(23)
Swedish krona	778	(44)	—	—
South African rand	667	(2)	667	(16)
Danish krone	277	(6)	—	—
New Zealand dollar	—	—	3,508	(34)
British pound sterling	—	—	2,194	(16)
Swiss franc	—	—	1,767	(23)
Total	\$ 18,711	\$ (186)	\$ 20,980	\$ (157)

Swap agreements provide for periodic payments between parties based on the change in value of underlying assets, indexes, rates, and credit worthiness. The SERS' managers use contracts with multiple counterparties as well as collateral posting requirements to manage its counterparty credit risk. Credit default swaps are agreements with counterparties to either purchase or sell credit protection. The SERS' managers use credit default swaps to either increase or decrease credit exposure to certain credit markets. Interest rate swaps are over-the-counter contracts that allow counterparties to exchange a fixed rate liability for a floating rate liability or vice versa. The SERS' managers use interest rate swaps as a cost-effective way of gaining exposure to certain sectors of the fixed income market. The SERS’ direct exposure to swap agreements was not significant at December 31, 2021.

Futures are standardized contracts traded on an exchange. Contract details include the price and quantity of a specific asset to be transacted by either the buyer or the seller on a set date. Futures are subject to certain risks which include liquidity, interest rate, market, and credit risks. Futures are used by SERS' managers to gain desired exposures or hedge certain risks within the portfolio. SERS' managers do not use futures for the purpose of speculation. The SERS did not have exposure to futures at December 31, 2021.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

Public School Employees’ Retirement System (PSERS)

The PSERS enters into a variety of financial contracts, which include options and futures. The System also enters into foreign exchange positions, such as forward and spot contracts to obtain or hedge foreign currency exposure; swap agreements to gain exposure to certain sectors of the equity and fixed income markets; collateralized mortgage obligations (CMOs); other forward contracts; and U.S. Treasury STRIPS. The PSERS is not a dealer, but an end user of these instruments. The contracts are used primarily to enhance performance and/or reduce the volatility of the portfolio. The PSERS is exposed to credit risk in the event of non-performance by counterparties to financial instruments. The PSERS generally enters into transactions only with high quality institutions. Legal risk is mitigated through selection of executing brokers and review of all documentation. The PSERS is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by senior management, through buying or selling instruments or entering into offsetting positions. The notional or contractual amounts of derivative instruments indicate the extent of the System’s involvement in the various types and uses of derivative financial instruments and do not measure the PSERS’ exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivative instruments.

The following table summarizes the aggregate notional or contractual amounts for the PSERS’ derivative financial instruments at June 30, 2022:

Type of Derivative Instrument	Notional Value
Futures contracts - long	\$ 1,139,263
Futures contracts - short	5,402
Foreign exchange forward and spot contracts, gross	6,747,015
Options - puts purchased	918,350
Swaps - total return type	12,187,253

Futures contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specific financial instrument at a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that a counterparty will not pay and generally requires margin payments to minimize such risk. In addition, the PSERS enters into short sales, sales of securities it does not presently own, to neutralize the market risk of certain equity positions. Initial margin requirements on futures contracts and collateral for short sales are provided by investment securities pledged as collateral and by cash held by various brokers. Although the PSERS has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed. The value of securities pledged and the amount of cash held at June 30, 2022 represent a restriction on the amount of assets available as of fiscal year-end for other purposes.

Option contracts provide the option purchaser with the right, but not the obligation, to buy or sell the underlying security at a set price during a period or at a specified date. The option writer is obligated to buy or sell the underlying security if the option purchaser chooses to exercise the option. The PSERS generally uses exchange listed currency, index, stock, and futures options. In FY 2022, the PSERS purchased over-the-counter put options on the S&P 500 Index. The fair value of these option contracts is \$3,213 at June 30, 2022.

Foreign exchange contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. To reduce the risk of counterparty non-performance, the investment managers generally enter into these contracts with institutions regarded as meeting high standards of credit worthiness. The contracts primarily include forwards. The \$6,747,015 of foreign currency contracts outstanding at June 30, 2022 consist of “buy” contracts, which represent the U.S. dollar equivalents of commitments to purchase foreign currencies of \$27,453 and “sell” contracts, which represent U.S. dollar equivalents of commitments to sell foreign currencies of \$6,719,562. The unrealized gain on contracts of \$10,685 at June 30, 2022 represents the fair value of the contracts.

Swap agreements provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes, or interest rates. During the year ended June 30, 2022, the PSERS entered into total return type swaps. Under the total return type swap arrangements, the System receives the net return of certain securities or

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

indexes in exchange for a short term rate minus a spread or a predetermined fixed charge. The payable on the total return type swap contracts of \$(859,392) at June 30, 2022 represents the fair value of the contracts. The contracts have varying maturity dates ranging from July 29, 2022 to August 31, 2023.

The PSERS also invests in mortgage-backed securities (MBS) such as CMOs and MBS forwards to maximize yields. These securities are sensitive to prepayments of mortgages, which may result from a drop in interest rates. The MBS forwards are subject to credit risk in the event of nonperformance by counterparties. The fair value of CMOs at June 30, 2022 is \$116,279.

The PSERS invests in U.S. Treasury strips which essentially act as zero coupon bonds and are subject to market volatility from a rise or drop in interest rates.

Through certain collective trust funds, the PSERS also indirectly holds various derivative financial instruments. The collective trust funds invest in futures and options thereon; forward foreign currency contracts; options; interest rate, currency, equity, index, and total return swaps; interest-only strips; and CMOs, to enhance the performance and/or reduce the volatility of their portfolios.

NOTE 3 - RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES

Taxes Receivable: Taxes receivable, by tax type, reported on the statement of net position at June 30, 2022 consisted of the following:

	Statement of Net Position		
	Governmental Activities		
	Current	Noncurrent	Total
Sales and use	\$ 902,245	\$ 321,847	\$ 1,224,092
Personal income	627,586	560,662	1,188,248
Corporation	382,593	707,290	1,089,883
Liquid fuels	294,566	—	294,566
Inheritance	525,640	153,449	679,089
Cigarette	67,425	—	67,425
Other	40,877	—	40,877
Total	<u>\$ 2,840,932</u>	<u>\$ 1,743,248</u>	<u>\$ 4,584,180</u>

Taxes receivable reported on the governmental funds balance sheet and the statement of fiduciary net position at June 30, 2022 consisted of the following:

	Balance Sheet-Governmental Funds						Statement		
	General Fund				Motor License Fund	Nonmajor Governmental Funds	of Fiduciary		
	Expected to be Collected:						Collected by August 31, 2022	Collected by August 31, 2022	Net Position
	From				Funds	Funds			Fiduciary
	By August 31, 2022	through June 30, 2023	After June 30, 2023	Total					Funds
Sales and use	\$ 885,605	\$ 16,639	\$ 321,848	\$ 1,224,092	\$ —	\$ —	\$ 55,345		
Personal income	323,910	303,677	560,661	1,188,248	—	—	—		
Corporation	94,417	288,176	707,290	1,089,883	—	—	—		
Liquid fuels	—	—	—	—	294,566	—	—		
Inheritance	199,861	325,779	153,449	679,089	—	—	—		
Cigarette	67,425	—	—	67,425	—	—	31,147		
Other	8,416	—	—	8,416	—	32,461	—		
Total	<u>\$ 1,579,634</u>	<u>\$ 934,271</u>	<u>\$ 1,743,248</u>	<u>\$ 4,257,153</u>	<u>\$ 294,566</u>	<u>\$ 32,461</u>	<u>\$ 86,492</u>		

On the governmental funds balance sheet, the **General Fund** taxes receivable of \$2,677,519 expected to be collected after August 31, 2022 is reported as deferred inflows of resources. The total amount of taxes receivable reported on the governmental funds balance sheet, \$2,840,932 (\$2,513,905 reported in the **General Fund**, \$294,566 reported in the **Motor License Fund**, and \$32,461 reported in nonmajor governmental funds), expected to be collected from July 1, 2022 through June 30, 2023 is also reported as current taxes receivable in governmental activities on the statement of net position. The remaining **General Fund** taxes receivable of \$1,743,248 reported on the governmental funds balance sheet expected to be collected after June 30, 2023 is reported as noncurrent taxes receivable in governmental activities on the statement of net position. All of the revenue associated with the taxes receivable reported in governmental activities on the statement of net position is reported as tax revenue in governmental activities on the statement of activities.

NOTE 3 - RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES (continued)

Loans Receivable: Loans receivable at June 30, 2022 consisted of the following:

	Governmental Activities		Business-Type Activities	
	General Fund		Commonwealth Financing Authority	Nonmajor Enterprise Funds
Economic development loans	\$ 34,053	\$ 331,726	\$ 100,929	
Volunteer fire, ambulance and rescue company loans	—	—	68,724	
Environmental program loans	2,130	—	—	
School district loans	17,482	—	—	
Other notes and loans	110	—	—	
	53,775	331,726	169,653	
Less: allowance for uncollectible amounts	(3,305)	(40,655)	(6,227)	
Loans receivable, net	\$ 50,470	\$ 291,071	\$ 163,426	

The **General Fund** reported \$34,624 in loans due after June 30, 2023, the **Commonwealth Financing Authority** (a blended component unit) reported \$273,389 in loans due after June 30, 2023, and nonmajor enterprise funds reported \$136,517 in loans due after June 30, 2023.

Lease Receivables:

	Governmental Activities		Business-Type Activities		Total
	Current	Noncurrent	Current	Noncurrent	
Leases receivable:					
Land	\$ 327	\$ 2,507	\$ 103	\$ 3,855	\$ 6,792
Buildings and building improvements	182	994	11,645	115,232	128,053
Equipment	—	—	296	901	1,197
Total	\$ 509	\$ 3,501	\$ 12,044	\$ 119,988	\$ 136,042

Governmental activities lease receivables are held primarily by the **General Fund**, and business-type activities lease receivables are held by the Philadelphia Regional Port Authority.

For the fiscal year ended June 30, 2022, the statement of activities includes lease revenue and interest of \$510 and \$63, respectively, for governmental activities, and \$14,532 and \$5,906 for business-type activities. There was no additional revenue for variable and other payments not included in the measurement of the lease receivable.

Governmental Funds Unearned Revenue: The **General Fund**, the **Motor License Fund**, and several nonmajor special revenue and debt service funds reported unearned revenue. The following chart provides the portion of total receipts which have not yet been earned as revenue as of June 30, 2022:

	General Fund	Motor License Fund	Nonmajor Funds	Total Governmental Funds
Unearned revenue	\$ 2,475,736	\$ 53,241	\$ 80,515	\$ 2,609,492

NOTE 3 - RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources: On the statement of net position, governmental activities and business-type activities reported both deferred outflows of resources and deferred inflows of resources at June 30, 2022. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively at June 30, 2022:

	Total Governmental Activities	Total Business-Type Activities
Deferred Outflows of Resources		
Refundings of debt	\$ 37,202	\$ 1,192
Asset retirement obligations	164,794	—
Pension related:		
Contributions subsequent to measurement date	944,551	33,401
Differences between expected and actual experience	78,034	3,383
Changes of assumptions	1,225,518	52,735
Changes in proportion	625,200	27,460
Differences between employer contributions and proportionate share	32,714	1,511
Other postemployment benefits related:		
Contributions subsequent to measurement date	596,549	26,995
Differences between expected and actual experience	422,214	1,982
Net difference between projected and actual earnings on plan investments	28	—
Changes of assumptions	2,915,703	75,446
Changes in proportion	667,026	57,596
Differences between employer contributions and proportionate share	9	1,036
Total deferred outflows of resources	\$ 7,709,542	\$ 282,737
Deferred Inflows of Resources		
Refundings of debt	\$ 85,320	\$ 13,033
Leases right-to-use	4,230	129,016
Pension related:		
Differences between expected and actual experience	71,114	2,949
Net difference between projected and actual earnings on plan investments	3,450,763	148,247
Changes in proportion	401,625	19,658
Differences between employer contributions and proportionate share	32,390	1,432
Other postemployment benefits related:		
Differences between expected and actual experience	4,995,867	280,460
Net difference between projected and actual earnings on plan investments	108,130	5,624
Changes of assumptions	1,833,701	81,144
Changes in proportion	671,627	50,087
Differences between employer contributions and proportionate share	—	1,384
Total deferred inflows of resources	\$ 11,654,767	\$ 733,034

On the balance sheet for governmental funds, the **General Fund**, the **Motor License Fund** and several nonmajor special revenue funds reported deferred inflows of resources related to future reporting periods. The following chart provides, per receivable, the unavailable revenue expected to be collected after August 31, 2022, as well as the portion of the lease receivable expected payments related to future periods:

	General Fund	Nonmajor Funds	Total Governmental Funds
Deferred Inflows of Resources			
Unavailable revenue:			
Expected to be collected after August 31, 2022:			
Taxes receivable	\$ 2,677,519	\$ —	\$ 2,677,519
Accounts receivable	603,032	176,254	779,286
Due from Federal Government	157,285	—	157,285
Total unavailable revenue	3,437,836	176,254	3,614,090
Leases right-to-use	3,966	265	4,231
Total deferred inflows of resources	\$ 3,441,802	\$ 176,519	\$ 3,618,321

NOTE 3 - RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES (continued)

On the statement of net position-proprietary funds, the **Unemployment Compensation Fund**, the **State Workers' Insurance Fund**, the **State Lottery Fund**, the **State Stores Fund**, the **Commonwealth Financing Authority**, (a blended component unit), each respectively a major fund, various nonmajor proprietary funds and the internal service funds reported deferred outflows of resources and deferred inflows of resources at June 30, 2022. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively, at June 30, 2022:

	State				Commonwealth	Nonmajor	Total	Internal
	Unemployment	Workers'	State	State	Financing	Funds	Proprietary	Service
	Compensation	Insurance	Lottery	Stores	Authority		Funds	Funds
<u>Deferred Outflows of Resources</u>	Fund	Fund	Fund					
Refundings of debt	\$ —	\$ —	\$ —	\$ —	\$ 1,192	\$ —	\$ 1,192	\$ —
Pension related:								
Contributions subsequent to measurement date	244	—	3,839	27,027	—	2,291	33,401	3,482
Differences between expected and actual experience	21	171	327	2,669	—	195	3,383	297
Changes of assumptions	324	2,662	5,092	41,603	—	3,054	52,735	4,619
Changes in proportion	167	1,368	2,618	21,386	—	1,921	27,460	2,375
Differences between employer contributions and proportionate share	8	72	137	1,121	—	173	1,511	124
Other postemployment benefits related:								
Contributions subsequent to measurement date	70	1,280	2,459	21,860	—	1,326	26,995	1,742
Differences between expected and actual experience	3	23	44	1,887	—	25	1,982	33
Changes of assumptions	376	3,412	6,433	61,662	—	3,563	75,446	4,752
Changes in proportion	17,313	—	5,780	30,162	—	4,341	57,596	3,115
Differences between employer contributions and proportionate share	—	—	—	—	—	1,036	1,036	—
Total deferred outflows of resources ..	\$ 18,526	\$ 8,988	\$ 26,729	\$ 209,377	\$ 1,192	\$ 17,925	\$ 282,737	\$ 20,539
<u>Deferred Inflows of Resources</u>								
Refundings of debt	\$ —	\$ —	\$ —	\$ —	\$ 13,033	\$ —	\$ 13,033	\$ —
Leases right-to-use	—	—	—	—	—	129,016	129,016	—
Pension related:								
Differences between expected and actual experience	18	149	285	2,327	—	170	2,949	258
Net difference between projected and actual earnings on plan investments	911	7,482	14,316	116,953	—	8,585	148,247	12,985
Changes in proportion	106	870	1,664	13,595	—	3,423	19,658	1,509
Differences between employer contributions and proportionate share	8	71	136	1,108	—	109	1,432	123
Other postemployment benefits related:								
Differences between expected and actual experience	1,498	13,592	25,626	225,550	—	14,194	280,460	18,930
Net differences between projected and actual earnings on plan investments	29	271	510	4,531	—	283	5,624	377
Changes of assumptions	433	3,929	7,407	65,273	—	4,102	81,144	5,472
Changes in proportion	26,367	8,628	2,720	3,726	—	8,646	50,087	1,068
Differences between employer contributions and proportionate share	—	—	—	—	—	1,384	1,384	—
Total deferred inflows of resources	\$ 29,370	\$ 34,992	\$ 52,664	\$ 433,063	\$ 13,033	\$ 169,912	\$ 733,034	\$ 40,722

NOTE 3 - RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES (continued)

On the statement of fiduciary net position, the pension (and other employee benefit) trust funds reported deferred outflows of resources and deferred inflows of resources at June 30, 2022. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively, at June 30, 2022:

<u>Deferred Outflows of Resources</u>	<u>Pension (and Other Employee Benefit) Trust Funds</u>	
Pension related:		
Contributions subsequent to measurement date	\$	4,247
Differences between expected and actual experience		430
Changes of assumptions		6,284
Changes in proportion		6,366
Differences between employer contributions and proportionate share		333
Other postemployment benefits related:		
Contributions subsequent to measurement date		2,309
Differences between expected and actual experience		57
Changes of assumptions		8,441
Changes in proportion		6,335
Differences between employer contributions and proportionate share		4,300
Total deferred outflows of resources	\$	39,102
Deferred Inflows of Resources		
Pension related:		
Differences between expected and actual experience	\$	350
Net difference between projected and actual earnings on plan investments		17,667
Changes in proportion		650
Differences between employer contributions and proportionate share		159
Other postemployment benefits related:		
Differences between expected and actual experience		33,621
Net difference between projected and actual earnings on plan investments		670
Changes of assumptions		9,719
Differences between employer contributions and proportionate share		1,024
Total deferred inflows of resources	\$	63,860

NOTE 4 - CAPITAL ASSETS

Changes in governmental activities capital assets for the fiscal year ended June 30, 2022 are as follows:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Non-depreciable capital assets:				
Land	\$ 690,045	\$ 20,875	\$ —	\$ 710,920
Highway right-of-way	2,682,251	103,988	—	2,786,239
General construction in progress	590,557	482,407	309,815	763,149
Transportation construction in progress	4,386,008	2,563,531	1,975,473	4,974,066
Subtotal	<u>8,348,861</u>	<u>3,170,801</u>	<u>2,285,288</u>	<u>9,234,374</u>
Depreciable and amortizable capital assets:				
Land improvements	1,172,389	24,021	6,501	1,189,909
Buildings and building improvements	9,159,081	279,049	18,565	9,419,565
Machinery and equipment	1,974,488	114,788	29,281	2,059,995
Highway infrastructure	36,640,038	1,237,371	—	37,877,409
Bridge infrastructure	18,696,297	563,935	—	19,260,232
Waterway infrastructure	35,805	493	—	36,298
Infrastructure-other	265,287	9,166	—	274,453
Software	1,109,360	162,705	12,308	1,259,757
Other intangibles	200	—	—	200
Subtotal	<u>69,052,945</u>	<u>2,391,528</u>	<u>66,655</u>	<u>71,377,818</u>
Less accumulated depreciation and amortization for:				
Land improvements	548,637	35,063	5,707	577,993
Buildings and building improvements	4,018,621	205,369	16,016	4,207,974
Machinery and equipment	1,435,270	120,476	27,853	1,527,893
Highway infrastructure	23,018,028	1,482,059	—	24,500,087
Bridge infrastructure	6,146,637	515,985	—	6,662,622
Waterway infrastructure	7,801	725	—	8,526
Infrastructure-other	125,337	13,324	—	138,661
Software	469,959	79,411	3,625	545,745
Other intangibles	200	—	—	200
Subtotal	<u>35,770,490</u>	<u>2,452,412</u>	<u>53,201</u>	<u>38,169,701</u>
Total depreciable and amortizable capital assets, net	<u>33,282,455</u>	<u>(60,884)</u>	<u>13,454</u>	<u>33,208,117</u>
Total governmental activities capital assets, net	<u>\$ 41,631,316</u>	<u>\$ 3,109,917</u>	<u>\$ 2,298,742</u>	<u>\$ 42,442,491</u>

The decreases in construction in progress represent increases to all capital asset classes including non-depreciable assets such as land and highway right-of-way. For the fiscal year ending June 30, 2022, the amount of the decreases to construction in progress that resulted in increases to land and highway right-of-way totaled \$115,520.

NOTE 4 - CAPITAL ASSETS (continued)

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Intangible right-to-use lease assets:				
Land	\$ 32,946	\$ 3,899	\$ 5,720	\$ 31,125
Buildings and building improvements	1,125,568	261,738	8,955	1,378,351
Machinery and equipment	16,871	11,155	—	28,026
Subtotal	<u>1,175,385</u>	<u>276,792</u>	<u>14,675</u>	<u>1,437,502</u>
Less accumulated amortization for:				
Land	5,160	4,428	2,276	7,312
Buildings and building improvements	151,277	139,114	5,165	285,226
Machinery and equipment	8,765	7,806	—	16,571
Subtotal	<u>165,202</u>	<u>151,348</u>	<u>7,441</u>	<u>309,109</u>
Total governmental activities right-to-use assets, net	<u>\$ 1,010,183</u>	<u>\$ 125,444</u>	<u>\$ 7,234</u>	<u>\$ 1,128,393</u>

Depreciation and amortization expense, by function, related to governmental activities capital assets for the fiscal year ended June 30, 2022 is as follows:

	Governmental Activities Capital Assets	Governmental Activities Right-To-Use Assets	Total
Direction and supportive services	\$ 61,662	\$ 48,206	\$ 109,868
Protection of persons and property	151,162	73,039	224,201
Public education	54,853	91	54,944
Health and human services	61,080	22,030	83,110
Economic development	776	77	853
Transportation	2,088,492	6,213	2,094,705
Recreation and cultural enrichment	34,387	1,692	36,079
Total depreciation and amortization expense	<u>\$ 2,452,412</u>	<u>\$ 151,348</u>	<u>\$ 2,603,760</u>

NOTE 4 - CAPITAL ASSETS (continued)

Changes in business-type activities capital assets for the fiscal year ended June 30, 2022 are as follows:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Non-depreciable capital assets:				
Land	\$ 237,335	\$ 471	\$ —	\$ 237,806
General construction in progress	78,369	45,139	120,716	2,792
Subtotal	<u>315,704</u>	<u>45,610</u>	<u>120,716</u>	<u>240,598</u>
Depreciable and amortizable capital assets:				
Land improvements	138,660	33,798	—	172,458
Buildings and building improvements	523,257	85,689	—	608,946
Machinery and equipment	248,458	14,076	1,118	261,416
Software	28,889	33,291	628	61,552
Subtotal	<u>939,264</u>	<u>166,854</u>	<u>1,746</u>	<u>1,104,372</u>
Less accumulated depreciation and amortization for:				
Land improvements	36,986	7,766	—	44,752
Buildings and building improvements	271,305	22,790	—	294,095
Machinery and equipment	162,112	12,959	1,118	173,953
Software	11,588	6,329	628	17,289
Subtotal	<u>481,991</u>	<u>49,844</u>	<u>1,746</u>	<u>530,089</u>
Total depreciable and amortizable capital assets, net	<u>457,273</u>	<u>117,010</u>	<u>—</u>	<u>574,283</u>
Total business-type activities capital assets, net	<u>\$ 772,977</u>	<u>\$ 162,620</u>	<u>\$ 120,716</u>	<u>\$ 814,881</u>
	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Intangible right-to-use lease assets:				
Buildings and building improvements	\$ 341,956	\$ 43,170	\$ 864	\$ 384,262
Machinery and equipment	371	—	—	371
Other	243	—	—	243
Subtotal	<u>342,570</u>	<u>43,170</u>	<u>864</u>	<u>384,876</u>
Less accumulated amortization for:				
Buildings and building improvements	60,194	62,410	487	122,117
Machinery and equipment	31	74	—	105
Other	105	62	—	167
Subtotal	<u>60,330</u>	<u>62,546</u>	<u>487</u>	<u>122,389</u>
Total business-type activities right-to-use assets, net	<u>\$ 282,240</u>	<u>\$ (19,376)</u>	<u>\$ 377</u>	<u>\$ 262,487</u>

NOTE 4 - CAPITAL ASSETS (continued)

Construction in progress included in governmental activities capital assets at June 30, 2022 includes project information as follows:

	Project Authorization	Amounts Expended at June 30, 2022	Authorization Available
General construction in progress:			
Capitol Complex	\$ 458,337	\$ 210,896	\$ 247,441
Department of Corrections Institutions	80,983	41,784	39,199
Educational Institutions	679,409	167,163	512,246
Environmental Protection	24,519	3,773	20,746
State Parks and Forests	182,000	45,141	136,859
Veterans Homes and Military Armories	86,362	43,496	42,866
Department of Human Services Institutions	123,822	85,222	38,600
Transportation Facilities	282,734	125,630	157,104
Historical and Museum Commission Facilities	28,326	18,661	9,665
State Police Facilities	43,662	11,645	32,017
Agriculture Facilities	23,895	509	23,386
Department of Labor and Industry	82	47	35
Other	66,795	9,182	57,613
Total general construction in progress	<u>2,080,926</u>	<u>763,149</u>	<u>1,317,777</u>
Highway and Bridge Construction in Progress:	<u>7,242,331</u>	<u>4,974,066</u>	<u>2,268,265</u>
Total construction in progress	<u>\$ 9,323,257</u>	<u>\$ 5,737,215</u>	<u>\$ 3,586,042</u>

The Commonwealth’s initial valuation of governmental activities capital assets was made as of June 30, 1986 using appraisal and historical cost reconstruction techniques. Subsequent to June 30, 1986, governmental activities capital asset acquisitions are reported at cost or, for donations or confiscations, at fair value. At June 30, 2022 the remaining amount of governmental activities capital assets related to the initial June 30, 1986 valuation amounted to \$1,465,957. The initial June 30, 1986 valuation did not include highway, bridge or waterway infrastructure. Such infrastructure was first reported in the June 30, 2002 basic financial statements, retroactive to July 1, 1980.

NOTE 5 - INTERNAL/INTERFUND BALANCES AND TRANSFERS

Statement of Net Position

Internal Balances

In the statement of net position, reported internal balances of \$100,871/\$(101,388) for governmental activities/business-type activities differ by \$517 because the **State Workers' Insurance Fund**, an enterprise fund, reports for its fiscal year ended December 31, 2021.

Fund Financial Statements

Interfund Balances

The composition of governmental and proprietary funds interfund balances reported at June 30, 2022 is as follows, with major fund titles in bold. Aggregate nonmajor governmental funds receivables from other funds and from component units, respectively, amount to \$228,948 and \$9,736; aggregate nonmajor enterprise funds receivables from other funds amount to \$8,411; aggregate internal service funds receivables from other funds and from component units, respectively, amount to \$37,681 and \$69:

Fund Type/Fund <u>Primary Government</u>	Due From		Due To	
	Other Funds	Component Units	Other Funds	Component Units
General Fund	\$ 377,965	\$ 71,742	\$ 556,126	\$ 2,419
<u>Special Revenue:</u>				
Motor License Fund	184,933	206	70,787	119
Banking Fund	—	—	142	—
Milk Marketing Fund	—	—	24	—
Workmen's Compensation Administration Fund	64	—	889	—
Workers' Compensation Security Fund	—	—	39	—
Tobacco Settlement Fund	43	—	257,247	—
Public Transportation Trust Fund	113,624	—	9,429	—
Gaming Fund	3,137	9,555	51,280	—
Environmental Stewardship Fund	1	—	3,047	4,823
Marcellus Shale Fund	11,278	—	65,871	—
Multimodal Transportation Fund	8,255	—	28,077	238
Underground Storage Tank Indemnification Fund	—	—	97	—
Other Funds	48,997	6	67,889	33
Special Revenue subtotal	370,332	9,767	554,818	5,213
<u>Debt Service:</u>				
PA Infrastructure Investment Authority Redemption Fund	—	175	—	—
Debt Service subtotal	—	175	—	—
<u>Capital Projects:</u>				
Capital Facilities Fund	18,094	—	12,110	—
Keystone Recreation, Park and Conservation Fund	13,259	—	1,885	—
Public Transportation Assistance Fund	12,196	—	—	—
Capital Projects subtotal	43,549	—	13,995	—
<u>Enterprise:</u>				
Unemployment Compensation Fund	290	—	57	—
State Lottery Fund	1,173	—	1,291	—
Tuition Payment Fund	—	—	37	—
State Stores Fund	3	—	22,526	—
Commonwealth Financing Authority	112,230	—	661	—
Rehabilitation Center Fund	2,235	—	339	—
Philadelphia Regional Port Authority	6,170	—	71	—
Other Funds	6	—	32	35
Enterprise subtotal	122,107	—	25,014	35

NOTE 5 - INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)

Fund Type/Fund Primary Government	Due From		Due To	
	Other Funds	Component Units	Other Funds	Component Units
<u>Internal Service:</u>				
Purchasing Fund	29,707	67	3,826	—
Manufacturing Fund	7,974	2	945	—
Internal Service subtotal	37,681	69	4,771	—
<u>Fiduciary - Pension Trust:</u>				
State Employees' Retirement System	16,426	13,477	—	—
Public School Employees' Retirement System	16,030	—	1,223	—
Public School Employees' Retirement System - DC	—	—	608	—
Fiduciary - Pension Trust subtotal	32,456	13,477	1,831	—
Total primary government	\$ 984,090	\$ 95,230	\$ 1,156,555	\$ 7,667

Discretely Presented Component Units	Due From		Due To	
	Primary Government	Component Units	Primary Government	Component Units
Pennsylvania Turnpike Commission	\$ 13,901	\$ —	\$ —	\$ —
Pennsylvania Housing Finance Agency	—	564	180	711
Pennsylvania Higher Education Assistance Agency	—	—	1,848	—
Pennsylvania Infrastructure Investment Authority	4,823	711	69,861	564
State System of Higher Education	2,605	—	21	—
Pennsylvania Industrial Development Authority	—	—	7	—
Pennsylvania Convention Center Authority	—	—	9,555	—
Other component units	238	—	1,811	—
Total component units	\$ 21,567	\$ 1,275	\$ 83,283	\$ 1,275

The amount of total reported interfund receivables of \$1,102,162 does not agree with total reported interfund payables of \$1,248,780 at June 30, 2022 due to different fiscal year ends and reporting differences for certain funds included in the fund financial statements at June 30, 2022. The amount reported for the Pennsylvania Turnpike Commission, a discretely presented component unit, is reported at its fiscal year ended May 31, 2022; the amounts reported as interfund balances for the State Employees' Retirement System and Deferred Compensation Fund, pension trust funds, the **State Workers' Insurance Fund**, an enterprise fund, and the Pennsylvania Health Insurance Exchange Authority, a discretely presented component unit, are reported at their fiscal years ended December 31, 2021. The following presents a reconciliation of interfund balances reported at June 30, 2022 and those amounts that would have been reported if all funds reported at the same fiscal year-end:

NOTE 5 - INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Component Units	Total
Due from other funds	\$ 787,816	\$ 154,202	\$ 31,565	\$ —	\$ 973,583
Due from pension trust funds	4,029	5,586	891	—	10,506
Due from component units	81,685	69	13,477	1,275	96,506
Due from primary government	—	—	—	21,567	21,567
Total	<u>\$ 873,530</u>	<u>\$ 159,857</u>	<u>\$ 45,933</u>	<u>\$ 22,842</u>	<u>\$ 1,102,162</u>

Reported Interfund Receivables \$ 1,102,162

State Employees' Retirement System increase in receivables from January 1, 2022 through June 30, 2022	2,231
Deferred Compensation Fund increase in receivables from January 1, 2022 through June 30, 2022	695
Pennsylvania Turnpike Commission decrease in receivables from June 1, 2022 through June 30, 2022	(13,901)
State Workers' Insurance Fund increase in receivables from January 1, 2022 through June 30, 2022	171
Interfund receivables reported as taxes receivable and accounts receivable by fiduciary funds	83,964
Payroll accrual at June 30, 2022 - receivables attributable to State Employees' Retirement System	84,537

Reconciled Interfund Receivables \$ 1,259,859

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Component Units	Total
Due to other funds	\$ 915,771	\$ 25,433	\$ 582	\$ —	\$ 941,786
Due to pension trust funds	209,168	4,352	1,249	—	214,769
Due to component units	7,632	35	—	1,275	8,942
Due to primary government	—	—	—	83,283	83,283
Total	<u>\$ 1,132,571</u>	<u>\$ 29,820</u>	<u>\$ 1,831</u>	<u>\$ 84,558</u>	<u>\$ 1,248,780</u>

Reported Interfund Payables \$ 1,248,780

State Employees' Retirement System increase in payables from January 1, 2022 through June 30, 2022	1,177
Pennsylvania Health Exchange Insurance Authority increase in payables from January 1, 2022 through June 30, 2022	30
Pennsylvania Turnpike Commission increase in payables from June 1, 2022 through June 30, 2022	192
State Workers' Insurance Fund increase in payables from January 1, 2022 through June 30, 2022	982
Interfund payables reported as accounts payable by fiduciary funds	8,698

Reconciled Interfund Payables \$ 1,259,859

Advances - Fund Financial Statements

At June 30, 2022, the **General Fund** reported advances to other funds of \$4,475. Specifically, this amount has been advanced as follows: \$2,300 to the **State Workers' Insurance Fund (SWIF)**, an enterprise fund; and \$2,175 to the **Motor License Fund**. These amounts have been reported by the respective owing funds as advances from other funds, except for the **SWIF**, which reported an advance of \$2,594 at its fiscal year ended December 31, 2021.

Other Advances reported as of June 30, 2022 included:

- The Workmen's Compensation Administration Fund to the Uninsured Employers Guaranty Fund (both special revenue funds) in the amount of \$16,500;
- The Workers' Compensation Security Fund, a special revenue fund, to the **General Fund** in the amount of \$350,000. These advances were repaid August 2022.
- The Pennsylvania Infrastructure Bank Fund, an enterprise fund, to the **Motor License Fund** in the amount of \$2,902, to be repaid by June 2030.

NOTE 5 - INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)

Transfers

A summary of transfers reported for the fiscal year ended June 30, 2022 is as follows, with major fund titles in bold. Aggregate nonmajor governmental fund transfers from other funds amounted to \$1,796,173 during the fiscal year ended June 30, 2022; aggregate nonmajor governmental fund transfers to other funds amounted to \$676,679. Aggregate nonmajor proprietary fund transfers from other funds amounted to \$28,156.

Primary Government	Transfers In	Transfers Out
General Fund	\$ 438,104	\$ 1,611,647
<u>Special Revenue:</u>		
Motor License Fund	21,508	162,759
Workmen's Compensation Administration Fund	2,989	—
Tobacco Settlement Fund	115,338	—
Public Transportation Trust Fund	120,415	30,000
Gaming Fund	—	312,114
Environmental Stewardship Fund	20,892	25,462
Vocational Rehabilitation Fund	47,942	—
Agricultural Conservation Easement Purchase Fund	13,173	—
State Farm Products Show Fund	5,000	—
Recycling Fund	1,000	—
Oil and Gas Lease Fund	—	64,036
Hazardous Sites Cleanup Fund	30,551	4,000
Marcellus Shale Fund	26,250	99,053
Uninsured Employers Guaranty Fund	263	—
State Racing Fund	11,906	—
Fish and Boat Fund	12,012	3,778
Multimodal Transportation Fund	30,000	54,985
Other Funds	5,881	6,788
Special Revenue subtotal	465,120	762,975
<u>Debt Service:</u>		
Capital Debt Fund	1,279,802	—
Growing Greener Bond Sinking Fund	12,289	—
Water and Sewer Assistance Bond Sinking Fund	8,721	—
Water Supply and Wastewater Treatment Sinking Fund	3,279	—
Debt Service subtotal	1,304,091	—
<u>Capital Projects:</u>		
Capital Facilities Fund	48,470	44,755
Keystone Recreation, Park and Conservation Fund	—	7,200
Public Transportation Assistance Fund	—	24,508
Capital Projects subtotal	48,470	76,463
<u>Enterprise:</u>		
Unemployment Compensation Fund	—	3,200
State Lottery Fund	114,700	205,907
State Stores Fund	—	191,717
Commonwealth Financing Authority	458,268	5,000
Historical Preservation Fund	1	—
Philadelphia Regional Port Authority	28,155	—
Enterprise subtotal	601,124	405,824
Total transfers, fund financial statements	2,856,909	2,856,909
Less: net elimination of governmental fund transfers	(3,052,209)	(3,052,209)
Total transfers, Statement of Activities	\$ (195,300)	\$ (195,300)

NOTE 5 - INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)

Primary Government Transactions with Discretely Presented Component Units

Financial Support Provided to:

Major Discretely Presented Component Units

During the fiscal year ended June 30, 2022 (May 31, 2022 for Pennsylvania Turnpike Commission), the Commonwealth provided financial support to major discretely presented component units, reported by the component units as follows:

State System of Higher Education (appropriations, grants and contracts)	\$ 615,907
Pennsylvania Higher Education Assistance Agency (grants)	401,598
Pennsylvania Turnpike Commission (capital contributions)	161,346
Pennsylvania Housing Finance Agency (program income and fees)	45,060
Pennsylvania Infrastructure Investment Authority (grants)	27,567

Nonmajor Discretely Presented Component Units

During the fiscal year ended June 30, 2022, the Commonwealth provided financial support to nonmajor component units by appropriations, as follows:

Ben Franklin Technology Development Authority	\$ 14,500
Thaddeus Stevens College of Technology	18,701
Port of Pittsburgh Commission	950

Financial Support Provided to the Commonwealth

During its fiscal year ended May 31, 2022, the Pennsylvania Turnpike Commission incurred additional debt in order to provide \$450,000 to the Public Transportation Trust Fund under the statutory provisions of Act 89 of 2013, Act 44 of 2007, and the related Lease and Funding Agreement between the Pennsylvania Turnpike Commission and the Commonwealth. Under the provisions of Act 89 of 2013, the Commonwealth subsequently transferred \$30,000, during the fiscal year, from the Public Transportation Trust Fund to the Multimodal Transportation Fund.

NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Governmental Activities

Long-term obligations of the Commonwealth’s governmental activities at June 30, 2022 and changes therein during the fiscal year ended June 30, 2022 are as follows:

	Issue Dates	Interest Rates	Maturity Dates Through	Bonds Authorized But Unissued	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
GENERAL LONG-TERM OBLIGATIONS								
General Obligation Bonds Payable From								
Tax Revenues:								
Capital Facilities	2010-21	2.00-5.45%	2041	\$ 153,949,019	\$ 6,358,477	\$ —	\$ 340,888	\$ 6,017,589
Disaster Relief	—	—	—	105,908	—	—	—	—
Land and Water Development	—	—	—	300	—	—	—	—
Nursing Home Loan Development	—	—	—	31,000	—	—	—	—
Volunteer Companies Loan	—	—	—	50,000	—	—	—	—
Vietnam Conflict Veterans Compensation	—	—	—	3,000	—	—	—	—
Water Facilities Loan	—	—	—	11,500	—	—	—	—
Pennsylvania Economic Revitalization	—	—	—	14,000	—	—	—	—
Pennsylvania Infrastructure								
Investment Authority	2010-20	3.00-5.00%	2038	16,000	95,560	—	12,670	82,890
Local Criminal Justice				3,000	—	—	—	—
Water Supply and Wastewater Treatment	2010-16	3.00-5.00%	2036	—	25,900	—	2,185	23,715
Growing Greener	2010-18	3.00-5.45%	2039	—	113,863	—	7,167	106,696
Persian Gulf Conflict Veterans Compensation				13,000	—	—	—	—
Refunding Bonds	2004-21	0.13-5.38%	2031	—	4,381,065	—	509,110	3,871,955
Total principal				<u>154,196,727</u>	<u>10,974,865</u>	<u>—</u>	<u>872,020</u>	<u>10,102,845</u>
Unamortized premium on bonds issued				—	725,054	—	153,962	571,092
Unamortized discount on bonds issued				—	(6,651)	—	(460)	(6,191)
Total general obligation bonds payable				<u>\$ 154,196,727</u>	<u>\$ 11,693,268</u>	<u>\$ —</u>	<u>\$ 1,025,522</u>	<u>\$ 10,667,746</u>
Other General Long-Term Obligations								
Payable From Tax and Other Revenues:								
Installment Purchase Liabilities ⁽¹⁾					2,620	1,925	1,775	2,770
Lease Liabilities ⁽¹⁾					1,019,178	276,779	147,394	1,148,563
Self-Insurance---Note 8 ⁽¹⁾					1,113,216	6,140	106,785	1,012,571
Compensated Absences ⁽¹⁾					890,394	9,231,646	9,206,025	916,015
Other ⁽¹⁾					2,637,301	445,030	448,068	2,634,263
Subtotal					<u>5,662,709</u>	<u>9,961,520</u>	<u>9,910,047</u>	<u>5,714,182</u>
TOTAL GENERAL LONG-TERM OBLIGATIONS					<u>\$ 17,355,977</u>	<u>\$ 9,961,520</u>	<u>\$ 10,935,569</u>	<u>\$ 16,381,928</u>

Totals may not foot due to rounding.

(1) The reported current liability portion of: Installment Purchase Obligations is \$1,237; Lease Liabilities is \$131,682; Self-Insurance is \$114,573; Compensated Absences is \$178,034; and Other liabilities is \$559,102.

For the fiscal year ended June 30, 2022, there were no additional bond issuances, resulting in no principal "Additions" for the period.

The total "Reductions" of \$1,025,522 for general obligation bonds payable at June 30, 2022 consists of total principal repayments of \$872,020 plus \$153,962 of bond premium and \$460 of bond discount that were amortized and posted to bond interest expense in the statement of activities. The remaining unamortized premium and discount in the statement of net position at June 30, 2022 is \$571,092 and \$6,191, respectively.

NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)

The Commonwealth has pledged its full faith and credit for the payment of principal and interest on its general obligation bonds. The **General Fund**, the **Motor License Fund**, the Gaming Fund, and the Environmental Stewardship Fund transferred amounts to debt service funds for general obligation bond principal and interest payments. During the fiscal year ended June 30, 2022, these funds transferred \$1,102,712, \$128,261, \$36,540, and \$12,289, respectively, to the Capital Debt Fund. The Capital Debt Fund reported \$1,310,306 (98%) of total Debt Service funds principal and interest expenditures of \$1,342,301. Typically, except for catastrophic loss benefits claims, which are funded by motorist violation fines, general long-term obligations other than general obligation bonds are mostly funded by the **General Fund** and/or the **Motor License Fund**. In specific limited instances a variety of individual funds will fund some obligations. Such instances include capital assets being procured using long-term vendor or other financing. In accordance with the Constitution of Pennsylvania, Section 807 §7 (d), in the event of default on Commonwealth debt; if sufficient funds are not appropriated for the timely payment of debt, the State Treasurer shall apply the first revenues thereafter received applicable to the appropriate fund sufficient to pay the interest and principal amount of the debt, and shall apply those funds to such debt.

Included in "Other" for Other General Long-Term Obligations payable from **General Fund**, **Motor License Fund**, special revenue assessments, and/or other governmental fund tax revenues, investment earnings and/or escheated property are the following at June 30, 2022:

Workers' compensation security trust claims	\$ 303,371
Catastrophic loss benefits claims	55,877
Medical Care Availability & Reduction of Error claims - Note 11 ..	1,113,145
Underground Storage Tank Indemnification claims - Note 11	291,095
Public Utility Realty Tax Act (PURTA) liability	29,974
State Insurance Fund claims	3,117
Restricted receipts liability	2,653
Escheated property liability	478,436
Pollution remediation liability	174,211
Asset retirement obligation	182,384
Total	<u>\$ 2,634,263</u>

The Workers' Compensation Security Trust Fund provides for payment of valid claims under the Workers' Compensation Law to individuals whose employers are insured by insolvent insurance carriers. The Catastrophic Loss Benefits Continuation Fund provides specific benefits to qualifying claimants who sustained severe injuries in motor vehicle accidents. The Public Utility Realty Tax Act (PURTA) provides for a tax on utility realty property whereby amounts received during the fiscal year are used as a **General Fund** revenue source. The Act also provides for payment of a majority of the PURTA revenues as a distribution to local taxing authorities during the following fiscal year (normally in October). Such payments are appropriated for expenditure in the following fiscal year and are, therefore, not expendable during the fiscal year the related revenue is received. Escheated property is held in perpetuity for the rightful owner. The liability represents the estimated property that will ultimately be claimed. This property may be claimed without the appropriation process. None of the "Other" amounts included in general long-term obligations at June 30, 2022 are payable with currently expendable available financial resources.

Pollution remediation obligations generally involve groundwater, surface water and/or soil at or adjacent to former manufacturing/industrial locations. Affected landfills have either received specific contaminants and/or are the source of leachate, either on-site or affecting adjacent properties. Contaminants include petroleum, chlorinated and/or polycyclic aromatic hydrocarbons; also, priority pollutant and/or target analyte list metals or lead. Financial responsibility is often coordinated between the Commonwealth, the Federal Environmental Protection Agency and, from time to time, either private responsible or potentially responsible parties. For the fiscal year ended June 30, 2022, the Commonwealth recognized recovery receivables of \$11,832 from private parties. Reported obligation amounts do not include instances, or portions of instances, where specific components of a potential remediation effort are not reasonably estimable as of June 30, 2022. The nature of the remediation activities in such instances is often site assessment, investigation or feasibility studies. Remediation efforts are typically funded through the Hazardous Sites Cleanup Fund or the **Motor License Fund**, both special revenue funds.

NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)

Asset retirement obligations reported by the Commonwealth generally involve the removal of buildings, dams, bridges or abandonment of water obstructions and encroachments. Prior to the discontinuance or abandonment of these structures, the Commonwealth has an obligation to remove all or part of the facilities and take other actions as necessary to protect public safety and the environment in accordance with existing Pennsylvania code regulations. The remaining useful life of Commonwealth capital assets associated with asset retirement obligations range from one to 50 years. Reported obligation amounts do not include instances, or portions of instances, where the asset retirement obligations are not reasonably estimable as of June 30, 2022. Obligations are funded by the **General Fund**, Environmental Stewardship Fund, and various capital project funds.

The Commonwealth’s constitutional debt limit, which allows for the incurrence of debt to be used for capital projects without electorate approval as specifically itemized in a capital budget, was \$70,974,859 as of August 31, 2022, with net debt outstanding after credit for refunded debt of \$8,971,688.

The following table presents annual principal and interest payments for long-term debt outstanding at June 30, 2022:

GENERAL LONG-TERM OBLIGATIONS

<u>For the fiscal year ending June 30,</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028-32</u>	<u>2033-37</u>
Capital Facilities	\$ 588,456	\$ 549,300	\$ 549,531	\$ 523,317	\$ 568,108	\$ 2,816,409	\$ 2,000,003
Disaster Relief	—	—	—	—	—	—	—
Land and Water Development	—	—	—	—	—	—	—
Nursing Home Loan Development	—	—	—	—	—	—	—
Volunteer Companies Loan	—	—	—	—	—	—	—
Vietnam Conflict Veterans Compensation	—	—	—	—	—	—	—
Water Facilities Loan	—	—	—	—	—	—	—
Pennsylvania Economic Revitalization	—	—	—	—	—	—	—
Pennsylvania Infrastructure Investment Authority	9,273	4,309	4,310	4,310	10,758	49,580	22,214
Local Criminal Justice	—	—	—	—	—	—	—
Water Supply and Wastewater Treatment	2,682	2,677	2,679	1,126	1,126	12,874	8,141
Growing Greener	12,317	10,538	10,584	10,643	13,628	54,850	24,095
Persian Gulf Conflict Veterans Compensation	—	—	—	—	—	—	—
Refunding Bonds	684,597	699,573	630,527	658,732	543,500	1,309,296	—
Total Principal and Interest	1,297,325	1,266,397	1,197,631	1,198,128	1,137,120	4,243,009	2,054,453
Less: Interest Payments	(431,050)	(388,217)	(345,781)	(302,233)	(260,325)	(780,469)	(226,368)
Total General Obligation Bonds	866,275	878,180	851,850	895,895	876,795	3,462,540	1,828,085
Other General Long-Term Obligations	971,276	513,519	478,596	464,014	432,395	1,755,966	826,556
TOTAL GENERAL LONG-TERM OBLIGATIONS...	\$ 1,837,551	\$ 1,391,699	\$ 1,330,446	\$ 1,359,909	\$ 1,309,190	\$ 5,218,506	\$ 2,654,641

NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)

GENERAL LONG-TERM OBLIGATIONS

For the fiscal year ending June 30,	2038-42	2043-47	Thereafter	Total
Capital Facilities	\$ 456,725	\$ —	\$ —	\$ 8,051,849
Disaster Relief	—	—	—	—
Land and Water Development	—	—	—	—
Nursing Home Loan Development	—	—	—	—
Volunteer Companies Loan	—	—	—	—
Vietnam Conflict Veterans Compensation	—	—	—	—
Water Facilities Loan	—	—	—	—
Pennsylvania Economic Revitalization	—	—	—	—
Pennsylvania Infrastructure Investment Authority	5,705	—	—	110,459
Local Criminal Justice	—	—	—	—
Water Supply and Wastewater Treatment	—	—	—	31,305
Growing Greener	4,131	—	—	140,786
Persian Gulf Conflict Veterans Compensation	—	—	—	—
Refunding Bonds	—	—	—	4,526,225
Total Principal and Interest	466,561	—	—	12,860,624
Less: Interest Payments	(23,336)	—	—	(2,757,779)
Total General Obligation Bonds	443,225	—	—	10,102,845
Other General Long-Term Obligations	235,962	35,874	24	5,714,182
TOTAL GENERAL LONG-TERM OBLIGATIONS ...	\$ 679,187	\$ 35,874	\$ 24	\$15,817,027

The Commonwealth routinely leases various facilities and equipment instead of purchasing assets. In addition, the Commonwealth routinely acquires certain capital assets using installment purchase arrangements. The lease contracts, at times, include variable payments, residual value guarantees, or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. For the fiscal year ended, June 30, 2022, the Commonwealth recognized expense for lease variable payments related to index changes and payments based on performance of \$1,880. There were no residual guarantee or termination payments expensed for the fiscal year ended June 30, 2022. The following is a schedule by fiscal year of future minimum payments due for leases and installment purchases, together with the present value of the net minimum lease payments as of June 30, 2022:

Fiscal Year Ending June 30	Installment Purchase Liabilities		Lease Liabilities	
	Principal	Interest	Principal	Interest
2023	\$ 1,237	\$ 109	\$ 131,682	\$ 22,004
2024	808	61	117,414	19,598
2025	464	24	107,233	17,329
2026	261	8	92,677	15,338
2027	—	—	82,965	13,649
2028-32	—	—	304,590	47,094
2033-37	—	—	151,663	21,635
2038-42	—	—	124,441	8,620
2043-47	—	—	35,874	463
Thereafter	—	—	24	1
Total Lease and Installment Purchase Liabilities	\$ 2,770	\$ 202	\$ 1,148,563	\$ 165,731

NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)

Refunded Debt Information

In prior years, the Commonwealth defeased certain general obligation bonds by placing the proceeds of refunding bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. At June 30, 2022, \$311,320 of general obligation bonds outstanding that were previously accounted for in the Commonwealth’s financial statements were defeased through advance refunding.

Other Financing Obligations

In 2018, the Commonwealth entered into a long-term financing agreement. The term of the agreement is for 29 years with a one time, lump-sum net payment of \$200,000 paid to the Commonwealth. This agreement was securitized with a publicly-offered issuance of certificates of participation on April 26, 2018. Interest will accrue on the principal amount payable by the Commonwealth per the established rates. The semi-annual payments are to be made solely from funds appropriated by the General Assembly, and are not secured by a pledge by the Commonwealth of the Commonwealth’s full faith, credit and taxing power. During the fiscal year ended June 30, 2022, the Commonwealth made annual installment payments for the principal and interest totaling \$4,130 and \$9,124, respectively. The other financing obligation at June 30, 2022 consists of \$189,305 in principal and \$10,034 in unamortized premium.

In 2010, multiple agencies participated in energy audits pursuant to the Guaranteed Energy Savings Act. As a result of the audits, the agencies entered into guaranteed energy saving installment agreements with various vendors to acquire energy-saving improvements. These agreements were financed with issuances of Commonwealth certificates of participation totaling \$114,845. The guaranteed energy savings from the improvements were designed to be sufficient to fund the future installment payments. These certificates are secured and payable by the Commonwealth through the installment agreement arrangements, which are subject to annual appropriations. The certificates are not secured by a pledge of the Commonwealth’s full faith, credit and taxing power. During the fiscal year ended June 30, 2022, the Commonwealth made annual installment payments for the principal and interest totaling \$8,240 and \$2,318, respectively. As of June 30, 2022, total principal remaining on the certificates of participation is \$40,510.

The tables for the balances and changes in the certificates of participation balances as of June 30, 2022 and the annual principal and interest payments are as follows:

	Date	Interest Rates	Maturity Dates Through	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
CERTIFICATES OF PARTICIPATION							
Certificates of Participation Payable From Appropriation:							
Series A of 2018	2018	3.63-5.85	2046	\$ 193,435	\$ —	\$ 4,130	\$ 189,305
2010 - Multiple Series	2010	1.15-7.11	2027	48,750	—	8,240	40,510
Total principal				242,185	—	12,370	229,815
Unamortized premium on certificates issued				11,229	—	1,195	10,034
Total certificates of participation payable				\$ 253,414	\$ —	\$ 13,565	\$ 239,849

CERTIFICATES PAYABLE FROM APPROPRIATION

For the fiscal year ending June 30,	2023	2024	2025	2026	2027	2028-32	2033-37
Certificates of Participation (Principal and Interest)	\$ 24,097	\$ 24,631	\$ 21,731	\$ 20,841	\$ 20,629	\$ 66,279	\$ 66,275
Less: Interest payments	(10,827)	(10,161)	(9,466)	(8,746)	(8,259)	(35,689)	(28,125)
Total Certificates of Participation	\$ 13,270	\$ 14,470	\$ 12,265	\$ 12,095	\$ 12,370	\$ 30,590	\$ 38,150

For the fiscal year ending June 30,	2038-42	2043-46	Total
Certificates of Participation (Principal and Interest)	\$ 66,284	\$ 53,024	\$ 363,791
Less: Interest payments	(17,689)	(5,014)	(133,976)
Total Certificates of Participation	\$ 48,595	\$ 48,010	\$ 229,815

NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)

Based on several contractual agreements between the Commonwealth, the City of Philadelphia (City), and the Pennsylvania Convention Center Authority (PCCA), a discretely presented component unit, the Commonwealth is financially obligated for debt service principal and interest payments for certain bonds issued by a public financing authority in connection with the PCCA premises in Philadelphia, Pennsylvania (PCCA bonds). As of June 30, 2022, total principal remaining on the debt service is \$201,700.

Additionally, the Commonwealth previously entered into a service agreement with a public financing authority which financially obligated the Commonwealth for debt service principal and interest payments for bonds issued by the public financing authority to provide grant funding for Commonwealth counties to acquire new Voting Apparatus Systems (voting bonds). The other financing obligation at June 30, 2022 consists of \$62,310 in principal and \$6,102 in unamortized premium.

Total debt service requirements for the bonds at June 30, 2022 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total Other Financing Obligations</u>
2023	\$ 28,577
2024	21,990
2025	21,982
2026	21,977
2027	21,971
2028-32	140,480
2033-37	128,734
2038-39	50,951
Total principal and interest	436,662
Less: interest	(172,652)
Total Principal	\$ 264,010

Total bond principal and interest payments made during the fiscal year ended June 30, 2022 for the PCCA bonds and voting bonds amounted to \$5,995 and \$13,401, and \$6,535 and \$2,739, respectively. The debt service for the PCCA bonds was financed by \$14,950 from the City (in the form of an annual service fee), \$4,423 from the U.S. Treasury (in the form of a Build America Bonds interest subsidy for Series B of the bonds), and \$23 of Debt Service Reserve fund interest. The debt service for the voting bonds was financed by Commonwealth appropriations.

For the PCCA bonds, through June 30, 2039, the Commonwealth anticipates that the City will remit \$15,000 each fiscal year to the bond trustee, to be applied first to bond principal and interest payments due during each fiscal year amounting to a total of \$240,000; a total of \$61,065 of Build America Bonds Series B interest subsidy that will be paid to the bond trustee; the bond trustee will apply Debt Service Reserve fund income of \$26,661; and the Commonwealth will appropriate a maximum amount of \$32,944 to be financed by the Gaming Fund under the provisions of Act 53 of 2007 to finance total bond principal and interest payments of \$362,771 at June 30, 2022. Amounts to be financed by the Gaming Fund under the provisions of Act 53 of 2007 are established each fiscal year and will vary based on bond trustee investment earnings and other amounts due under the bond trust indenture and other contractual agreements. No Gaming Fund payment was required for the fiscal year ended June 30, 2022.

For the voting bonds, through June 1, 2030, the Commonwealth will appropriate amounts sufficient to pay all bond principal and interest to be financed by the **General Fund**.

NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)

Business-Type Activities

Tuition Benefits Payable

The reported liability for tuition benefits payable of \$1,664,592 of the **Tuition Payment Fund**, an enterprise fund, at June 30, 2022 is based on several actuarial assumptions, including those related to tuition cost increases, investment experience, income from account maintenance fees, and program expenses for the Pennsylvania 529 Guaranteed Savings Plan (GSP). The assumed rate of return on long-term investments is 5.50%.

Changes in tuition benefits payable are as follows:

Balance at July 1, 2021	Additions	Reductions	Balance at June 30, 2022	Current Due within One Year	Noncurrent Due after One Year
\$ 1,663,760	\$ 228,351	\$ 227,519	\$ 1,664,592	\$ 319,387	\$ 1,345,205

Insurance Loss Liability

The reported insurance loss liability of the **State Workers' Insurance Fund (SWIF)**, an enterprise fund, is primarily based on historical claims experience. One of the assumptions used to determine the reported liability amount includes using a discount rate of 2.0% at December 31, 2021 and December 31, 2020. There is uncertainty as to whether the reported liability will be supported by future claim experience, including payments; this uncertainty must be considered when evaluating the reported insurance loss liability.

For the calendar years ended December 31, 2021 and 2020, the following summary provides information on prior year reported insurance loss liability, incurred claims and payments, and current year reported insurance loss liability.

Year Ended December 31	Prior Year Liability	Incurred Claims		Payments		Current Year Liability
		Current	Prior	Current	Prior	
2021	\$ 1,207,740	\$ 103,317	\$ (63,520)	\$ 25,192	\$ 99,964	\$ 1,122,381
2020	\$ 1,335,374	\$ 129,657	\$ (110,330)	\$ 29,299	\$ 117,662	\$ 1,207,740

The current portion of the total **SWIF** insurance loss liability is \$125,278 and the noncurrent portion is \$997,103. Additionally, nonmajor enterprise funds reported a noncurrent insurance loss liability of \$292 at June 30, 2022. Total reported current insurance loss liability amounts to \$125,278 and total noncurrent insurance loss liability amounts to \$997,395 at June 30, 2022.

Compensated Absences Liability

The reported compensated absences liability for the enterprise funds totaled \$46,162 at June 30, 2022. Of that amount, the liability is primarily owed by the **State Stores Fund** (\$37,249), the **SWIF** (\$2,301), and the **State Lottery Fund** (\$3,726). The following summary provides aggregated information reported for June 30, 2022 compensated absences liabilities; additions and reductions during the fiscal year ended June 30, 2022 and reported compensated absences liabilities at June 30, 2022:

Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
\$ 43,994	\$ 472,351	\$ 470,183	\$ 46,162

The current portion of the total compensated absences liability for enterprise funds is \$8,742; the noncurrent portion is \$37,420.

NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)

Lease Liabilities

Certain enterprise funds (including the Philadelphia Regional Port Authority, blended component unit) routinely lease various facilities and equipment instead of purchasing the assets. The contracts at times, include variable payments, residual value guarantees or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. For the fiscal year ended June 30, 2022, enterprise funds recognized expense for lease variable payments related to index changes and payments based on performance of \$409 and termination penalties of \$35. There were no residual guarantee payments expensed for the fiscal year ended June 30, 2022. The following is a schedule by fiscal year future minimum payments due for leases, together with the present value of the net minimum lease payments as of June 30, 2022:

Fiscal Year Ending June 30	Lease Liabilities	
	Principal	Interest
2023	\$ 57,958	\$ 4,210
2024	51,954	3,238
2025	45,720	2,376
2026	36,764	1,648
2027	26,190	1,099
2028-32	49,718	1,400
2033-37	832	4
Total Lease and Installment Purchase Liabilities	\$ 269,136	\$ 13,975

The following summary provides aggregated information reported for June 30, 2022 lease liabilities; additions and reductions during the fiscal year ended June 30, 2022 and reported lease liabilities at June 30, 2022:

Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
\$ 286,037	\$ 43,143	\$ 60,044	\$ 269,136

Federal Unemployment Account Loan

During fiscal year ended June 30, 2022, advances were made to the Commonwealth's **Unemployment Compensation Fund** from the Federal Unemployment Account (FUA) in the amount of \$904,598. The FUA provides for a loan fund for state unemployment programs to ensure continued flow of unemployment compensation payments to claimants. In accordance with Federal law, any outstanding loan balance as of January 2022 must be repaid by November 10, 2022, or the Federal unemployment compensation tax on employers will be increased each year that the loan is not repaid. The full balance of the loan was repaid by June 30, 2022. The American Rescue Plan Act of 2021 waived interest on FUA advances through September 6, 2021, thereafter, interest was accrued on FUA advances. Accrued interest was recorded in the amount of \$8,848 as of June 30, 2022.

Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
\$ 1,559,422	\$ 904,598	\$ 2,464,020	\$ —

NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)

Revenue Bonds Payable

Revenue bond obligations of the enterprise fund, the Commonwealth Financing Authority, blended component unit at June 30, 2022, and changes during the fiscal year ended June 30, 2022 are as follows:

	Issue Dates	Interest Rates	Maturity Dates Through	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2022
REVENUE BONDS PAYABLE							
Commonwealth Financing Authority	2005-20	0.55-6.40%	2042	4,494,470	—	137,610	4,356,860
Total principal obligations				4,494,470	—	137,610	4,356,860
Less: unamortized bond discount				(2,972)	—	(179)	(2,793)
Add: unamortized bond premium				135,824	—	9,531	126,293
TOTAL REVENUE BONDS PAYABLE				\$ 4,627,322	\$ —	\$ 146,962	\$ 4,480,360

The following table presents annual principal and interest payments for long-term debt outstanding for revenue bonds for the enterprise funds:

	REVENUE BONDS PAYABLE							
	For the fiscal year ending June 30,	2023	2024	2025	2026	2027	2028-32	2033-37
Commonwealth Financing Authority								
Principal and Interest	\$ 333,536	\$ 332,273	\$ 332,009	\$ 316,544	\$ 311,787	\$ 1,693,016	\$ 1,839,579	
Less: Interest Payments	(189,636)	(182,378)	(174,994)	(167,184)	(159,702)	(680,676)	(408,279)	
TOTAL PRINCIPAL OBLIGATIONS	\$ 143,900	\$ 149,895	\$ 157,015	\$ 149,360	\$ 152,085	\$ 1,012,340	\$ 1,431,300	
	2038-42	Total						
Commonwealth Financing Authority								
Principal and Interest	\$ 1,268,779	\$ 6,427,523						
Less: Interest Payments	(107,814)	(2,070,663)						
TOTAL PRINCIPAL OBLIGATIONS	\$ 1,160,965	\$ 4,356,860						

NOTE 7 - SHORT-TERM DEBT

During fiscal year ending June 30, 2022, the Commonwealth did not have any activity or outstanding balances related to tax or bond anticipation notes or other short-term debt.

NOTE 8 - SELF-INSURANCE LIABILITIES

The Commonwealth is self-insured for statutory workers’ compensation, which includes indemnity and medical benefits (employee disability), for its employees injured on the job. The Commonwealth is also self-insured for annuitant medical/hospital claims and for tort liability claims. Major tort risks include automobile, employee, and general torts. For property losses, the Commonwealth has a \$1,000 retention with excess commercial insurance coverage up to \$1,000,000 per occurrence. The Commonwealth is also self-insured for claims against the Department of Transportation (transportation claims). The Commonwealth has established various administrative policies that are intended to avoid or limit the aforementioned risks. Accrued liabilities for statutory workers’ compensation and annuitant medical/hospital claims are established based on reserves computed from the Commonwealth’s claim experience; such claims are not discounted and do not include non-incremental claims adjustment expenses.

Accrued liabilities for tort and transportation claims are established based on reserves computed from the Commonwealth’s claim experience; such claims are not discounted and do not include non-incremental claims adjustment expenses. These liabilities include liabilities for allocated claim adjustment expenditures/expenses and include salvage and subrogation. Salvage and subrogation were not material for the fiscal year ended June 30, 2022. No accrued liability has been reported for property losses under self-insurance.

There were no reductions in commercial insurance coverage during the fiscal year ended June 30, 2022. No settlements exceeded commercial insurance coverage during any of the past three fiscal years.

At June 30, 2022, none of the \$1,012,571 of accrued self-insurance liabilities for governmental activities were payable from current expendable available financial resources. The governmental activities liabilities are primarily owed by the **General Fund** (\$813,851) and the **Motor License Fund** (\$170,780). Business-type activities liabilities are primarily owed by the **State Lottery Fund** (\$1,596), the **State Workers’ Insurance Fund** (\$719), and the **State Stores Fund** (\$48,931), all enterprise funds. All accrued self-insurance liabilities at June 30, 2022 are summarized as follows:

	<u>Government Activities</u>		<u>Business-Type Activities</u>	
	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>
Employee disability	\$ 92,985	\$ 781,430	\$ 5,581	\$ 46,901
Automobile tort	2,339	7,210	—	—
Employee tort	13,479	55,844	—	—
General tort	574	7,888	—	—
Transportation	5,196	45,626	—	—
Totals	<u>\$ 114,573</u>	<u>\$ 897,998</u>	<u>\$ 5,581</u>	<u>\$ 46,901</u>

NOTE 8 - SELF-INSURANCE LIABILITIES (continued)

The following summary provides aggregated information on June 30, 2021 reported self-insurance liabilities; incurred claims and payments during the fiscal year ended June 30, 2022 and reported self-insurance liabilities at June 30, 2022:

	June 30, 2021	Incurred Claims		Payments		June 30, 2022
	Liability	Current	Prior	Current	Prior	Liability
Employee disability	\$ 1,052,414	\$ 79,796	\$ (105,765)	\$ 8,574	\$ 90,974	\$ 926,897
Automobile tort	9,543	2,666	(1,249)	326	1,085	9,549
Employee tort	59,614	13,806	12,660	326	16,431	69,323
General tort	10,831	607	(2,391)	33	552	8,462
Transportation	51,849	6,098	(1,558)	903	4,664	50,822
Totals	<u>\$ 1,184,251</u>	<u>\$ 102,973</u>	<u>\$ (98,303)</u>	<u>\$ 10,162</u>	<u>\$ 113,706</u>	<u>\$ 1,065,053</u>

The following summary provides aggregated information on June 30, 2020 self-insurance liabilities; incurred claims and payments during the fiscal year ended June 30, 2021; and reported self-insurance liabilities at June 30, 2021:

	June 30, 2020	Incurred Claims		Payments		June 30, 2021
	Liability	Current	Prior	Current	Prior	Liability
Employee disability	\$ 1,010,893	\$ 83,060	\$ 58,730	\$ 9,091	\$ 91,178	\$ 1,052,414
Automobile tort	9,633	3,054	(163)	790	2,191	9,543
Employee tort	58,026	10,574	(385)	60	8,541	59,614
General tort	11,164	1,339	(727)	53	892	10,831
Transportation	48,213	8,540	432	982	4,354	51,849
Totals	<u>\$ 1,137,929</u>	<u>\$ 106,567</u>	<u>\$ 57,887</u>	<u>\$ 10,976</u>	<u>\$ 107,156</u>	<u>\$ 1,184,251</u>

NOTE 9 - PENSION

Pension Systems

Commonwealth laws established contributory pension plans covering substantially all Commonwealth and public school employees. Generally, Commonwealth employees are members of the State Employees’ Retirement System (SERS) and public school employees are members of the Public School Employees’ Retirement System (PSERS). Both the SERS and the PSERS are reported as pension trust funds classified as fiduciary fund component units. The SERS and the PSERS issue stand-alone, audited financial statements which are available at www.sers.pa.gov and www.psers.pa.gov, respectively. Written requests for the SERS or PSERS financial statements should be directed to the following addresses:

State Employees’ Retirement System
 30 North Third Street, Suite 150
 Harrisburg, PA 17101-1716

Public School Employees’ Retirement System
 Bureau of Communications
 P.O. Box 125
 Harrisburg, PA 17108-0125

Total Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Expense - SERS and PSERS

Below is an aggregation of the total net pension liabilities, deferred outflows of resources, deferred inflows of resources, and net pension expense for both the SERS and PSERS plans.

	<u>SERS</u>	<u>PSERS</u>	<u>Total</u>
Net Pension Liability	\$ 12,303,402	\$ 246,997	\$ 12,550,399
Deferred outflows of resources	\$ 2,981,199	\$ 43,308	\$ 3,024,507
Deferred inflows of resources	\$ 4,080,489	\$ 47,689	\$ 4,128,178
Net Pension expense	\$ 888,182	\$ 17,796	\$ 905,978

State Employees’ Retirement System - Defined Benefit

Plan Description: The SERS is the administrator of a cost-sharing multiple-employer defined benefit retirement plan established to provide retirement benefits for Commonwealth employees and certain other organizations. At December 31, 2021 there were 101 employer state agencies and other organizations participating in the SERS.

Retirement Benefits: Article II of the Pennsylvania Constitution provides the General Assembly the authority to establish and amend plan benefit provisions. The SERS provides retirement, death, and disability benefits. Prior to January 1, 2011, most employees who retire at age 60 with three years of service, or at any age with 35 years of service, are entitled to a full retirement benefit. Members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50, with at least three years of service. Act 2010-120 preserved all benefits in place for existing members, but mandated a number of benefit reductions for new members effective January 1, 2011, through December 31, 2018. Act 2010-120 created a class of service in which members earn a benefit at 2% of their final average salary instead of the previous 2.5% and vests in 10 years instead of five. The full retirement age is 65 for most employees who entered SERS membership after January 1, 2011, and age 55 for members of the General Assembly and certain employees classified in hazardous duty positions. Act 2017-5 changed the benefit structure for most new employees effective January 1, 2019, which created two hybrid benefit options as well as a defined contribution-only option. The two hybrid plan options contain a defined benefit plan component with a full retirement age of 67 that accrues at 1.25% or 1% of the member's final average salary.

Most members of the SERS, and all state employees hired after June 30, 2001 and prior to January 1, 2011 (except State Police officers and certain members of the judiciary and legislators), are Class AA members. Each class of benefits is based on a multiple of the base accrual rate of 2%, which is called the multiplier. The multiplier for Class AA is 1.25, which translates into an annual benefit of 2.5% of the member's highest three-year average salary multiplied by years of service and became effective for members July 1, 2001. The general annual benefit for Class A members is 2% of the member's highest three-year

NOTE 9 - PENSION (continued)

average salary multiplied by years of service. State Police are entitled to a benefit equal to a percentage of their highest annual salary (excluding their year of retirement). The benefit is 75% of salary for 25 or more years of service and 50% of salary for 20-24.99 years of service. Judges are entitled to a benefit of 4% of final average salary for each of the first 10 years of service and 3% for subsequent years. Magisterial District Justices are entitled to a benefit of 3% of final average salary for each year of service. Legislators taking office before December 1, 2010 are Class D-4. The multiplier for Class D-4 is 1.5, which translates into an annual benefit of 3% of the final average salary for each year of service. Act 120 of 2010 created an A-3 class of service and an optional A-4 class for most employees that entered SERS membership for the first time on or after January 1, 2011 and December 1, 2010 for legislators newly elected in November 2010 through December 31, 2018. On or after January 1, 2019, class A-3 is only offered to hazardous duty employees. Employees who enter SERS membership under Act 2010-120 enter as members of the A-3 class with a 45-day window to elect membership in the optional A-4 class. The general annual benefit for Class A-3 members is 2% of the member's highest three-year average salary multiplied by years of service while the Class A-4 benefit accrual rate is 2.5%. Act 2017-5 created a new A-5 hybrid class of service with optional hybrid A-6 class and straight defined contribution-only plan options for state employees (excluding most hazardous duty employees), who first enter SERS membership on or after January 1, 2019. Employees who enter SERS membership under Act 2017-5 enter as members of the A-5 class with a 45-day window to elect membership in the optional A-6 class or straight Defined Contribution Plan. The general annual benefit for Class A-5 members is 1.25% of an average of the highest five calendar years of the member's salary multiplied by years of service, while the Class A-6 benefit accrual rate is 1%. Those members choosing the straight Defined Contribution Plan do not have a benefit accrual rate and retire with their contributions, employer contributions, if vested, and any investment gains on those contributions.

Contribution Requirements: Commonwealth law establishes the funding policy for all members' contribution rates. The general membership contribution rate for all Class A and Class AA members is 5% and 6.25% of salary, respectively. The general membership contribution rate under Act 2010-120 for A-3 and A-4 members is 6.25% and 9.3% of salary, respectively. The general membership contribution rate under Act 2017-5 for A-5 and A-6 members is 5% and 4% of salary, respectively. The contribution rate for Class D-4 members of the General Assembly is 7.5%. Judges and Magisterial District Judges have the option of electing special membership classes requiring a contribution of 10% and 7.5% respectively. All Defined Benefit Plan employee contributions are recorded in individually identified accounts that are credited with interest, calculated at 4% per annum, as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits or elects to waive their benefits.

Contributions to the SERS defined benefit plan from the Commonwealth, including PRPA (a blended component unit) were \$1,838,771 for the year ended June 30, 2022.

Summary of Significant Accounting Policies: The SERS financial statements are prepared using the accrual basis of accounting and economic resources measurement focus. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide contributions. Benefits, disbursements, and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis.

Investment Valuation: Investments are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Common stocks, preferred stocks, real estate securities, and foreign exchange contracts are generally valued based on published market prices and quotations at the close of business from national security exchanges and securities pricing services. U.S. government securities and corporate and foreign bonds and notes are valued based on matrix pricing. Real estate separate accounts are valued using unobservable estimates and appraisals. Private equity, certain real estate, hedge funds, commingled public equity funds, and commingled fixed income funds are reported at fair value as estimated and reported by general partners based upon the underlying net asset value (NAV) of the fund or partnership as a practical expedient of fair value. Adjustments are required when the SERS expects to sell the investment at a value other than NAV.

The investments in short-term funds, including those managed by the Treasury Department, are reported at amortized cost. The securities lending collateral pool, which is a fund operated by the securities lending agent, is also accounted for at amortized cost.

NOTE 9 - PENSION (continued)

Unsettled investment sales are reported as investment proceeds receivable and unsettled investment purchases are reported as investment purchases payable. Investment expenses consist of investment managers’ fees and those expenses directly related to the SERS’ investment operations.

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2022, the Commonwealth reported a total net pension liability of \$12,303,402 for its participation in the SERS Defined Benefit Plan. The net pension liability attributed to participation in the SERS was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commonwealth’s proportion of the SERS net pension liability was based on a projection of the Commonwealth’s long-term share of contributions to the pension plan relative to the projected contributions of all participating SERS employers, actuarially determined. At December 31, 2021 the Commonwealth’s reported proportionate share of the SERS net pension liability was 96.84%, which was an increase of 7.81% from its proportion measured as of December 31, 2020. Liabilities are funded through the payroll complement rates within each fund. The **General Fund** and **Motor License Fund** funded 83.48% and 11.74%, respectively, of the Commonwealth’s governmental activities pension contributions for the calendar year ended December 31, 2021.

As of June 30, 2022, the Commonwealth recognized a defined benefit pension expense of \$888,182, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS (December 31, 2021)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 81,235	\$ 70,818
Differences between employer contributions and proportionate share	34,225	33,748
Net difference between projected and actual earnings on plan investments	—	3,559,693
Changes of assumptions	1,266,273	—
Changes in proportion	651,289	416,230
Contributions subsequent to measurement date	948,177	—
Total	\$ 2,981,199	\$ 4,080,489

The \$948,177 reported as deferred outflows of resources related to pensions resulting from Commonwealth contributions to the SERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 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:

Year ending June 30:	SERS (December 31, 2021)
2022	\$ (266,126)
2023	\$ (889,629)
2024	\$ (424,549)
2025	\$ (467,800)
2026	\$ 637

Actuarial Assumptions: Every five years, the SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates). The 19th Investigation of Actuarial Experience study for the period 2015 - 2019 was released and approved by the SERS Board in July 2020. The study recommended decreasing the investment rate of return and inflation assumptions to 7.00% and 2.5%, respectively, for 2020 from 7.125% and 2.6%, respectively, for 2019. The study also recommended reducing rates of career salary growth, more favorable annuitant mortality assumptions and several other changes. The board approved the continuation of the assumed rate of return and inflation assumptions that were adopted, pursuant to the 19th Investigation of Actuarial Experience, at the SERS Board meeting in July 2021. The study can be viewed at www.sers.pa.gov.

NOTE 9 - PENSION (continued)

The actuary and SERS Board review the investment rate of return annually, in addition to the normal five-year experience study cycle, in recognition of changing market environments to ensure this assumption remains reasonable with each actuarial valuation.

The following methods and assumptions were used in the actuarial valuation for the December 31, 2021 measurement date.

Actuarial Cost Method	Entry age
Investment rate of return	7.00% net of expenses including inflation
Projected salary increases	Average of 4.60% with range of 3.30% to 6.95% including inflation
Asset valuation method	Fair (market) value
Inflation	2.50%
Mortality Rate	Projected PubG-2010 and PubNS-2010 Mortality Tables adjusted for actual plan experience and future improvement for retirees, beneficiaries, and survivors and rates determined by SERS' actuaries using actual SERS experience for pre-retirement active members
Cost of living adjustments	None (ad hoc)

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 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. Best estimates of arithmetic real rates of return for each major asset class included in the Defined Benefit Plan's target asset allocation as of December 31, 2021, are summarized in the following table:

SERS (December 31, 2021)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Private equity	12.00 %	6.00 %
Private credit	4.00 %	4.25 %
Real estate	7.00 %	3.75 %
U.S. equity	31.00 %	4.60 %
International developed markets equity	14.00 %	4.50 %
Emerging markets equity	5.00 %	4.90 %
Fixed income	22.00 %	(0.25)%
Inflation protection (TIPS)	3.00 %	(0.30)%
Cash	2.00 %	(1.00)%
Total	100.00 %	

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 employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary and as set by statute. Based on those assumptions, the Defined Benefit Plan fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active plan members. Therefore, the long-term expected rate of return on the Defined Benefit Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following chart presents the Commonwealth's proportionate share of the SERS net pension liability using the discount rate (7.00%), as well as what the Commonwealth's proportionate share of 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.

NOTE 9 - PENSION (continued)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
SERS (December 31, 2021)	\$ 17,820,078	\$ 12,303,402	\$ 7,639,229

Payables to the Pension Plan: For the fiscal year ended June 30, 2022, the Commonwealth reported an accounts payable for the employer’s share of retirement contributions to the SERS in the amount of \$85,480.

State Employees’ Retirement System - Defined Contribution

Plan Description: The SERS is the administrator of the State Employees Defined Contribution Plan, an investment plan, which was established as part of Act 2017-5 to provide retirement benefits for employees of state government and certain independent agencies. Enrollment to the investment plan opened January 1, 2019.

Retirement Benefits: Act 2017-5 created a new A-5 hybrid class of service with optional hybrid A-6 class and straight defined contribution-only plan options for state employees (excluding most hazardous duty employees), who first enter SERS membership on or after January 1, 2019. Employees who enter SERS membership under Act 2017-5 enter as members of the A-5 class with a 45-day window to elect membership in the optional A-6 class or straight Defined Contribution Plan. The general annual benefit for Class A-5 members is 1.25% of an average of the highest five calendar years of the member's salary multiplied by years of service, while the Class A-6 benefit accrual rate is 1%. Those members choosing the straight Defined Contribution Plan do not have a benefit accrual rate and retire with their contributions, employer contributions, if vested, and any investment gains on those contributions.

Contribution Requirements: Participants in the A-5 class, A-6 class, and defined contribution-only plan option contribute 3.25%, 3.5%, and 7.5% to the plan, respectively. Participants may also make additional voluntary contributions to the plan. Employers contribute 2.25%, 2%, and 3.5% for participants in the A-5 class, A-6 class, and defined contribution-only plan option, respectively. Employers do not match participant voluntary contributions to the plan. Participants are also permitted to transfer or roll over monies into the plan from other qualified plans. While participant contributions are immediately vested, the employer contributions are not vested until a participant earns three eligibility points. Eligibility points are generally credited based on hours worked in a calendar year. If a participant terminates employment before earning three eligibility points, any unvested employer contributions are returned to the Defined Contribution Plan.

Pension expense, consisting of contributions to the SERS from the Commonwealth for the defined contribution plan, including PRPA (a blended component unit), was \$24,439 for the year ended June 30, 2022.

Public School Employees’ Retirement System - Defined Benefit

Plan Description: The PSERS is a cost-sharing multiple-employer defined benefit retirement system established to provide pension and other benefits for public school employee members. At June 30, 2022 there were 770 participating employers, generally school districts. In relation to the PSERS, the Commonwealth is a non-employer contributor organization that recognizes a less than substantial portion of the PSERS collective net pension liability.

Retirement Benefits: The PSERS provides retirement, disability retirement, death, and health care benefits. Under the provisions of the 1975 revision of the Code by the Pennsylvania General Assembly, members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or 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 through June 30, 2019. Act 120 created two new 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.

NOTE 9 - PENSION (continued)

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 retirements, 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 between 1% and 2.5%, depending upon membership class, of the member's final average salary (as defined in the Pennsylvania Public School Employees' Retirement Code) multiplied by the number of years of credited service. A member's right to a defined benefit is vested in 5 to 10 years depending on membership class.

Contribution Requirements: The Public School Employees' Retirement Code provides that the PSERS Board has the authority to establish or amend periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll. According to requirements established in Act 29 of 1994, the Commonwealth reimburses school entity employers a portion of the employer contributions paid to the PSERS. All school entity employers are reimbursed by the Commonwealth at least 50% of the total employer contributions based on the total contribution rate. The Commonwealth remits 50% of employer contributions for employers other than school entities directly to the PSERS resulting in a special funding situation.

The contribution rates for active plan memberships started prior to July 1, 2011 are as follows:

- Membership Class T-C and T-D hired before July 22, 1983 are 5.25% and 6.50% of covered payroll, respectively;
- Membership Class T-C and T-D hired after July 21, 1983 are 6.25% and 7.50%, respectively.

The contribution rates for active plan memberships started on or after July 1, 2011 and before July 1, 2019 are as follows:

- Membership Class T-E base rate is 7.50% with a shared risk provision providing for a 5.50% minimum and 9.50% maximum;
- Membership Class T-F base rate is 10.30% with a shared risk provision providing for an 8.30% minimum and 12.30% maximum.

The contribution rates for active plan memberships started on or after July 1, 2019 are as follows:

- Membership Class T-G base rate is 5.50% with a shared risk provision providing for a 2.50% minimum and 8.50% maximum;
- Membership Class T-H base rate is 4.50% with a shared risk provision providing for a 1.50% minimum and 7.50% maximum.

Contributions to the PSERS from the Commonwealth for the employers other than school entities were \$29,775 for the year ended June 30, 2022.

Summary of Significant Accounting Policies: The financial statements of the PSERS are prepared on the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. Member and employer contributions are recognized in the period for which employees' salaries are reported. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investment Valuation: The PSERS' investments are reported at fair value. Fair value is the amount that the PSERS can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale.

Short-term securities are carried at cost, which approximates fair value, unless they have published market prices or quotations from national securities exchanges or securities pricing services, in which case they are valued at the published market price. Fixed income securities and common and preferred stocks are generally valued based on published market prices and quotations from national securities exchanges or securities pricing services. Securities which are not traded on a national securities exchange are valued by the respective fund manager or other third parties based on similar sales.

NOTE 9 - PENSION (continued)

For Collective trust fund investments (CTF), PSERS' management in consultation with investment advisors has determined the fair value based upon the reported share value of the respective fund. The reported share value of the fund is based upon each respective fund's administrator statement.

Alternative investments, which include private equity, equity real estate, private credit, and private infrastructure investments are generally organized as limited partnerships. The fair value of investments that are organized as limited partnerships, and has no readily available daily fair value, has been determined using the NAV per share (or its equivalent) of the PSERS' ownership interest in partners' capital.

Directly-owned real estate investments are valued based upon the June 30th financial statements completed by the asset manager. The directly-owned real estate investments are appraised annually by an independent third-party appraiser as of calendar year-end unless subject to a waiver as approved by the Deputy CIO or CIO. Properties not appraised are internally valued by the asset manager at fair market value. Certain properties acquired with no appraisal are held at cost. Directly-owned real estate investments are reported net of related debt borrowed against the market value of the property.

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2022, the Commonwealth reported a liability of \$246,997 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commonwealth's proportion of the net pension liability was calculated by dividing the plan's total covered payroll by the sum of all employers' covered payroll. The Commonwealth remits directly to the PSERS 50% of the employer contributions for employers other than school entities. At June 30, 2021 the Commonwealth's proportion was .6016%, which was a decrease of .014% from its proportion measured as of June 30, 2020.

As a result of its requirement to contribute to the PSERS, the Commonwealth recognized expense of \$17,796 for the year ended June 30, 2022. At June 30, 2022 the Commonwealth reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to the PSERS:

	PSERS (June 30, 2022)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 182	\$ 3,245
Differences between employer contributions and proportionate share	—	74
Net difference between projected and actual earnings on plan investments	—	39,317
Changes of assumptions	11,980	—
Changes in proportion	1,371	5,053
Contributions subsequent to measurement date	29,775	—
Total	\$ 43,308	\$ 47,689

Public School Employees' Retirement System - Defined Contribution

Plan Description: The PSERS is the administrator of the Public School Employees Defined Contribution (DC) plan, an investment plan, which was established as part of Act 2017-5 to provide retirement benefits for public school employees.

Retirement Benefits: Act 2017-5 introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 2017-5 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). Under PSERS DC Plan the retirement benefit is based on the amount of contributions in the account and any investment performance less expenses. DC participants are always 100% vested in their own mandatory before-tax, after-tax, and rollover contributions in the DC plan. DC participants who have at least three eligibility points become vested and eligible for employer DC contributions made on their behalf. Participants with fewer than three eligibility points are not eligible to receive the employer contributions. DC account balances can grow based on investment earnings; however DC account balances are not guaranteed against loss in declining investment markets. Each eligibility point is earned the first day a contribution is made to the plan on behalf of a DC participant in a school year (July 1 - June 30). Only one eligibility point may be credited in a school year.

NOTE 9 - PENSION (continued)**Contribution Requirements:**

Members hired after July 1, 2019 have a portion of each member and employer contribution to the system set aside for the DC plan. Member and employer rates are set by statute. A member may elect to make additional voluntary post-tax member contributions.

- Membership Class T-G defined contribution rates are 2.75%;
- Membership Class T-H defined contribution rates are 3.00%
- Membership Class DC defined contribution rates are 7.50%

Pension expense, consisting of contributions to the PSERS from the Commonwealth for the defined contribution plan, was negligible for the year ended June 30, 2022.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Commonwealth of Pennsylvania participates in six postemployment benefit plans other than pensions (OPEB). The Commonwealth participates as an employer in five plans: The Retired Employees Health Program (REHP), the Retired Pennsylvania State Police Program (RPSPP), the Unified Judicial System's Postemployment Medical Plan (Judiciary), Pennsylvania House of Representatives Postemployment Benefits Plan (House), and the Senate of Pennsylvania Other Postemployment Benefits Plan (Senate). The Commonwealth participates as a governmental nonemployer contributing entity in the Public School Employees' Retirement System Health Insurance Premium Assistance Program (Premium Assistance).

Plan Administration: The Commonwealth established and sponsors two primary plans which provide postemployment benefits other than pensions (OPEB). These two plans are the REHP and the RPSPP and both are established as trust equivalent arrangements. These two plans are administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF), which acts as a third-party administrator for the REHP and RPSPP under an administrative agreement with the Commonwealth. Both plans are single-employer defined benefit OPEB plans that include Commonwealth agencies and some component units. The REHP is provided as a part of collective bargaining agreements with most Commonwealth labor unions. The RPSPP is provided as a part of collective bargaining agreements with certain Commonwealth labor unions. All policy decisions and types and levels of benefits for the REHP and RPSPP fall under the purview of the Commonwealth's Executive Board, Secretary of Administration, and for the RPSPP the collective bargaining agreement with the Pennsylvania State Troopers Association. Neither the REHP nor the RPSPP have a governing board. The REHP offers postemployment healthcare and prescription benefits. The RPSPP offers postemployment healthcare, prescription, vision and dental benefits.

The Judiciary has established and sponsors their own single-employer defined-benefit OPEB plan. A trust or equivalent arrangement meeting the requirements of GASB 74 has not been established for the Judiciary OPEB plan and assets have not been accumulated to fund OPEB. All policy decisions related to the types and levels of benefits including changes to benefit terms and authority to pay benefits as they come due for the Judiciary OPEB plan, fall under the purview of the Supreme Court. The Judiciary OPEB plan does not have a governing board. The Judiciary OPEB plan offers postemployment healthcare, prescription, vision, and dental benefits.

The House of Representatives has established and sponsors their own single-employer defined-benefit OPEB plan. A trust or equivalent arrangement meeting the requirements of GASB 74 has not been established for the House OPEB plan and assets have not been accumulated to fund OPEB. All policy decisions related to the types and levels of benefits including changes to benefit terms, and authority to pay benefits as they come due for the House OPEB plan, fall under the purview of the House of Representatives. The House OPEB plan does not have a governing board. The House OPEB plan offers postemployment healthcare, prescription and for certain members vision, dental and long-term care benefits.

The Senate has established and sponsors their own single-employer defined-benefit OPEB plan. A trust or equivalent arrangement meeting the requirements of GASB 74 has not been established for the Senate OPEB plan and assets have not been accumulated to fund OPEB. All policy decisions related to the types and levels of benefits including changes to benefit terms, and authority to pay benefits as they come due for the Senate OPEB plan, fall under the purview of the Senate. The Senate OPEB plan does not have a governing board. The Senate OPEB plan offers postemployment healthcare, prescription and for certain members vision and dental benefits.

The Premium Assistance plan is a governmental cost sharing, multiple-employer other postemployment benefit plan for all public school eligible retirees who qualify and elect to participate. The Premium Assistance plan is under the control and management of the Board of Trustees of the Public School Employees Retirement System, including the investment of its assets, and all policy decisions related to types and levels of benefits, and authority to pay benefits as they come due. As of June 30, 2021, there were no assumed future benefit increases to participating members of the Premium Assistance plan.

Benefits Provided: Benefit provisions included in the REHP, Judiciary, House, and Senate plans are established and may be amended by the establishing sponsor of the given OPEB plan. The RPSPP, under the terms of the collective bargaining agreement, cannot be amended for existing retirees. The Commonwealth's General Assembly has the authority to amend the benefit terms of the Premium Assistance plan. Each OPEB plan provides postemployment healthcare and prescription benefits to varying degrees. The RPSPP, Judiciary, House and Senate provide specific dental, hearing, vision, and long-term care benefits. RPSPP benefits are provided in accordance with the collective bargaining agreement that was in effect at the time of retirement. The REHP, RPSPP, Judicial, House, and Senate OPEB plans do not issue stand-alone financial reports and are not included in the financial statements of a public employee retirement system. The Premium Assistance OPEB plan is reported

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

in the Public School Employees Retirement System Annual Comprehensive Financial Report which can be found at www.psers.pa.gov.

Eligibility and Retiree Contributions:**REHP**

Eligible employees who retire from the Commonwealth and meet one of the following eligibility criteria are eligible to receive REHP benefits:

- 25 or more years of service;
- 20 or more years of service and superannuation age - age 50 for Park Rangers, Capitol Police and certain enforcement officers or age 60 for all other employees (age 55 or 65 for employees subject to Act 120 of 2010);
- Disability retirement - requires five years of service (no service requirements for enforcement officers).
- For employees who retired after June 30, 2005 and before July 1, 2007 the retiree contribution is set at 1% of employee's final annual salary. Most Commonwealth employees who retired on or after July 1, 2007 but before July 1, 2011 are currently required to pay retiree contributions of 3% of either their final annual salary or final average salary, whichever is less. Most employees who retire on or after July 1, 2011 are currently required to pay retiree contributions of 3% of their final average salary. Upon enrollment in Medicare, Commonwealth employees who are currently paying 3% will pay retiree contributions of 1.5% of either their final annual salary or final average salary, whichever applies.

RPSPP

Permanent enlisted employees of the Pennsylvania State Police who retire from the Commonwealth and meet one of the following eligibility criteria are eligible to receive RPSPP benefits:

- Superannuation retirement (excluding vested employees) - age 50 (age 55 for employees subject to Act 120 of 2010) with three years of service;
- Retirement with at least 25 years of Commonwealth service;
- Retirement with at least 20 but less than 25 years of service, with at least 10 years of enlisted service with State Police (military time, civilian service with another Commonwealth agency are not considered service with the State Police);
- Disability retirement - no service requirement.
- RPSPP plan members are not required to make contributions.

Judicial

Eligible employees (members and staff) who retire from the Unified Judicial System and meet one of the following eligibility criteria are eligible to receive Judicial benefits:

- Staff:
 - Prior to attaining age 60 and retiring before/after January 1, 2001:
 - The retiree will pay 100% of the premium if retiring with less than 20/25 years of total service and less than 3/5 years of judiciary service.
 - The retiree will pay 75% of the premium if retiring with less than 20/25 years of service and more than 3/5 years of judiciary service.
 - The retiree will pay between 75% and 25% of the premium if retiring with 20/25 years or more of service and less than 3/5 years of judiciary service.
 - The retiree will pay 1% of pension if retiring with 20/25 years or more of service and more than 3/5 years of judiciary service.
 - After attaining age 60 and retiring before/after January 1, 2001:
 - The retiree will pay 100% of the premium if retiring with less than 10/15 years of total service and less than 3/5 years of judiciary service.
 - The retiree will pay 75% of the premium if retiring with less than 10/15 years of service and more than 3/5 years of judiciary service.
 - The retiree will pay between 75% and 25% of the premium if retiring with 10/15 years or more of service and less than 3/5 years of judiciary service.
 - The retiree will pay 1% of pension if retiring with 10/15 years or more of service and more than 3/5 years of judiciary service.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

- Judges/ District Justices:
 - Prior to attaining age 60:
 - The retiree will pay 1% of pension/75% of the premium if retiring with more than 10 and less than 18 years of judiciary service.
 - The retiree will pay 1% of pension if retiring with more than 18 years of judiciary service.
 - After attaining age 60:
 - The retiree will pay 75% of the premium if retiring with more than 3 and less than 10 years of judiciary service.
 - The retiree will pay 1% of pension if retiring with more than 18 years of judiciary service.

House

Eligible employees (members and staff) who retire from the House of Representatives and meet one of the following eligibility criteria are eligible to receive House benefits:

- Members:
 - Age 49 or younger with at least 10 years of creditable service, but less than 10 years as a legislator:
 - The House will pay \$5 per month towards the premium for Medical and prescription drug coverage. The retiree must pay the remainder.
 - Age 49 or younger with at least 10 years as a legislator (after December 1, 1992 any creditable service), age 50 or older with at least 10 years of creditable service or member retired under disability with at least 5 years of SERS eligible service:
 - The House will pay 100% of the premiums. Beginning 2012, the retiree must contribute 1% of the retiree's final salary. Beginning October 1, 2020, retirees who receive a monthly SERS annuity will pay 1% of maximum single life annuity or if enrolled in Medicare A and B pay .5% of maximum single life annuity. Members that retired prior to November 30, 1980 are eligible for medical and prescription drug coverage. Members that retired after December 1, 1980 are eligible for medical, prescription drug, vision and dental coverage. Members that retired after December 1, 1992 are eligible for medical, prescription drug, vision, dental and long-term health care coverage.
- Staff:
 - Age 59 or younger with between 10 to 24 years of creditable service:
 - The retiree must pay for the premium for medical and prescription drug coverage. The retiree is not eligible for dental or vision
 - Age 60 or older with at least 10 years of creditable service or at least 25 years of creditable service:
 - The House will pay 100% of the premiums for medical and prescription drug coverage. If the retiree has at least 12.5 years of legislative service and the last 3 years are as an employee of the House, the retiree will receive 100% paid vision and dental coverage. Beginning January 1, 2012, the retiree must contribute 1% of the retiree's final salary annually. Beginning October 1, 2020, retirees who receive a monthly SERS annuity will pay 1% of maximum single life annuity or if enrolled in Medicare A and B pay .5% of maximum single life annuity. Retirees who are not receiving a monthly SERS annuity will pay 1% of salary at the time of retirement or .5% of salary at the time of retirement if over age 65 and are enrolled in Medicare A and B.

Senate

Eligible employees (members and staff) who retire from the Senate and meet one of the following eligibility criteria are eligible to receive Senate benefits:

- Option 1
 - For employees hired prior to October 3, 2006, individuals must have 25 years of credited service, of which 12 ½ years of such credited service were with the Legislature, and further provided that the last three (3) continuous years (4,950 hours) of credited service were with the Senate.
 - For employees hired on or after October 3, 2006, individuals must have 30 years of credited service, of which 20 years of such credited service were with the Senate and had at least 5 continuous years of credited service with the Senate.
 - Retiree contribution rates are based on salary with rates equal to 1% of their final salary for all benefits.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

- Option 2
 - For employees hired prior to October 3, 2006, individuals must be a minimum of age 60 with 10 or more years of credited service and worked for the Senate for at least 18 continuous months in the most recent employment period with the Senate.
 - For employees hired on or after October 3, 2006, individual must be a minimum of age 60 with 20 or more years of credited service and worked for the Senate for at least 5 continuous years in the most recent employment period with the Senate.
 - Retiree contribution rates are based on salary with rates equal to 1% of their final salary for all benefits.

GASB 74 Plan Reporting

REHP and RPSPP

Plan Membership: At June 30, 2022, the REHP and the RPSPP OPEB plan membership consisted of the following (actual number of plan members):

	Census date:	
	December 31, 2021	
	REHP	RPSPP
Inactive plan members or beneficiaries currently receiving benefit payments	64,361	5,442
Inactive plan members entitled to but not yet receiving benefit payments	19,747	—
Active plan members	66,410	4,548
Total all plan members	150,518	9,990

Employer Contributions: REHP employer contributions are contractually required and established by the Office of Administration and the Office of the Budget. All participating agencies and certain plan members must contribute specified amounts to the REHP. During the fiscal year ended June 30, 2022, almost all REHP participating agencies contributed \$120 (whole dollars) for each current active REHP eligible employee per biweekly pay period to fund the REHP. Several participating agencies contribute under different but comparable payment arrangements.

RPSPP employer contribution requirements are established by the Office of Administration and the Office of the Budget. During the fiscal year ended June 30, 2022 participating agencies contributed \$1,288 (whole dollars) for each current RPSPP eligible active employee per biweekly pay period to fund the RPSPP.

The REHP and RPSPP funding rates needed to fund current year annuitant health care costs are established as part of the Commonwealth’s annual budgeting process. During the fiscal year ended June 30, 2022, the Commonwealth funded \$418,157 (estimated) of annuitant health care claims and administrative costs for the REHP and \$156,314 (estimated) of annuitant health care claims and administrative costs for the RPSPP, respectively. Any additional contributions to advance fund annuitant health care liabilities are determined annually by the Commonwealth. During the fiscal year ended June 30, 2022, advance funding of \$50,000 for REHP and \$1,000 for the RPSPP was contributed to the Other Postemployment Benefits Investment Pool, a pension (and other employee benefit) trust fund. Determinations of advance funding amounts are evaluated annually. The REHP and RPSPP maintain reserves for claims that are Incurred But Not Paid. At June 30, 2022, the REHP and RPSPP recorded \$24,598 and \$8,461, respectively.

Specific Actuarial Assumptions: The total OPEB liability was determined by an actuarial valuation with a measurement date as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

	REHP	RPSPP
Actuarial cost method	Entry age normal	Entry age normal
Method used to determine actuarial value of assets	Market value	Market value
Investment returns	6.8%	6.8%
Inflation rate assumption	2.5%	2.5%
Payroll growth	2.8%	2.8%
Cost of living adjustment	N/A	N/A
Healthcare cost trend rates:		
Medicare retiree	6.3% for 2022 decreasing to an ultimate rate of 3.9% for 2075 and later years	5.1% for 2022 decreasing to an ultimate rate of 3.9% for 2075 and later years
Non-Medicare retiree	7.3% for 2022 decreasing to an ultimate rate of 3.9% for 2075 and later years	7.0% for 2022 decreasing to an ultimate rate of 3.9% for 2075 and later years

Pre-retirement mortality rates were based on the Pub-2010 General Employees Headcount Weighted Mortality Tables, and adjusted for mortality improvements using MP-2021. Post retirement mortality rates for healthy participants were based on Pub-2010 General Employees Headcount Weighted Mortality Tables, with rates set forward one year for females, and adjusted for mortality improvements using projection scale MP-2021. Post retirement mortality rates for disabled participants were based on Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Tables, with rates set forward two years for males and females, and adjusted for mortality improvements using projection scale MP-2021.

The actuarial assumptions used in the June 30, 2022 valuation were based on the State Employees’ Retirement System (SERS) experience study that covered the years 2015 through 2019. The approved recommendations from that study were used to determine the assumptions for this valuation, where applicable. The inflation assumption was selected by the SERS Board during a July 2020 meeting based on a review of actual plan experience and the prevalent economic outlook. Consistent with prior valuations, these demographic assumptions assume beginning of year decrements (retirement, withdrawal, death, disability, etc.). For the employers that contribute to the REHP plan in accordance with a special contribution arrangement, the withdrawal assumption is increased by a factor of 1.67 for one year of service or less and increased by 8.35 percentage points for service of 2 years through 9 years.

Investments: The assets of both the REHP and RPSPP are managed by the Commonwealth’s Treasury Department in an investment pool. The OPEB investments are made based upon an interagency agreement, dated June 17, 2008, and the prudent investor standard set forth in the Commonwealth of Pennsylvania’s fiscal code 72P.S. §30.1, amendment to the fiscal code, the Principles of Prudent Investors Standards.

Asset Class	REHP	RPSPP
	Target Allocation	Target Allocation
Domestic equity	40.00%	40.00%
International equity	27.00%	27.00%
Fixed income	23.00%	23.00%
Real estate	8.00%	8.00%
Cash and cash equivalents	1.50%	1.50%
Private equity	0.50%	0.50%
Total	100.00%	100.00%

Concentration: Based on a portfolio value of \$645,159 for the REHP and \$129,175 for the RPSPP, the following investment concentrations greater than 5% existed as of June 30, 2022. In order to achieve the target return and to keep costs low, asset classes have been populated with Exchange-Traded Funds (ETFs) and low cost mutual funds.

Issuer Name	REHP		RPSPP	
	Amount	% of Total Portfolio	Amount	% of Total Portfolio
VANGUARD	140,632	21.80 %	28,158	21.80 %
DELAWARE HIGH-YIELD OPPORTUNITIES FUND	39,006	6.05 %	7,810	6.05 %

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Rate of Return: For the year ended June 30, 2022, the annual rate of return on investments, net of investment expense was (12.79)%. The rate of return expresses investment performance, net of investment expense, adjusted for changing amounts invested.

The long-term expected rate of return on OPEB plan investments is determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over long periods of time to come up with an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	
	REHP	RPSPP
Private equity	8.30%	8.30%
International equity	5.50%	5.50%
Domestic equity	5.10%	5.10%
Real estate	4.70%	4.70%
Fixed income	1.60%	1.60%
Cash and cash equivalents	—%	—%

Net OPEB Liability: The net OPEB liability represents the liability of the employers contributing to the plan for benefits provided through a defined benefit OPEB plan that is administered through a trust or trust equivalent. The components of the net OPEB liability for the participating employers at June 30, 2022 were as follows:

	REHP	RPSPP
Total OPEB liability	\$ 10,487,651	\$ 6,735,063
Plan fiduciary net position	(621,280)	(120,858)
Plan net OPEB liability	\$ 9,866,371	\$ 6,614,205
Plan fiduciary net position as a percentage of the total OPEB liability	5.92 %	1.79 %

Discount Rate: The discount rate used to measure the total OPEB liability of the REHP was 4.67% as of June 30, 2022. This single discount rate was based on the long-term expected rate of return on assets held in the OPEB investment pool and the 20-year Bond Buyer GO Index municipal bond rate as of the end of June 2022. Since REHP has insufficient assets to meet all future years' benefit payments of the current plan members, the long-term expected rate of return on the OPEB investment pool was applied to projected benefit payments through the last year in which the plan's Fiduciary Net Position is projected to be sufficient to meet projected benefit payments and the municipal bond rate was applied to all remaining future years to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each fiscal year-end assumed that employer contributions will be made based on the current funding policy for future years.

The discount rate used to measure the total OPEB liability of the RPSPP was 3.54% as of June 30, 2022. This single discount rate was based on the 20-year Bond Buyer GO Index municipal bond rate as of the end of June 2022. Since RPSPP has insufficient assets to meet next year's projected benefit payments, the municipal bond rate was applied to all periods of the projected benefit payments to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each fiscal year-end assumed that employer contributions will be made based on the current funding policy for future years.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability for the REHP and RPSPP plans of the Commonwealth, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percent higher than the current discount rate.

<u>REHP</u>	<u>Discount Rate</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>3.67%</u>	<u>4.67%</u>	<u>5.67%</u>
Net OPEB Liability	\$ 11,182,863	\$ 9,866,371	\$ 8,758,189

<u>RPSPP</u>	<u>Discount Rate</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>2.54%</u>	<u>3.54%</u>	<u>4.54%</u>
Net OPEB Liability	\$ 7,840,903	\$ 6,614,205	\$ 5,647,506

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability of the Commonwealth, as well as what the Commonwealth’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (decreasing to 2.9%) or one percentage point higher (decreasing to 4.9%) than the current healthcare cost trend rates.

<u>REHP</u>	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>6.3%/5.3%</u>	<u>7.3%/6.3%</u>	<u>8.3%/7.3%</u>
	<u>decreasing to 2.9%</u>	<u>decreasing to 3.9%</u>	<u>decreasing to 4.9%</u>
Net OPEB Liability	\$ 8,523,127	\$ 9,866,371	\$ 11,514,571

<u>RPSPP</u>	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>6.0%/4.1%</u>	<u>7.0%/5.1%</u>	<u>8.0%/6.1%</u>
	<u>decreasing to 2.9%</u>	<u>decreasing to 3.9%</u>	<u>decreasing to 4.9%</u>
Net OPEB Liability	\$ 5,596,404	\$ 6,614,205	\$ 7,922,100

PSERS OPEB Plans

The Public School Employees Retirement System (PSERS), a component unit, provides two voluntary postemployment healthcare programs for all eligible retired public school employees (annuitants) who qualify and elect to participate. The Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP).

Under the Premium Assistance employer contribution rates are established to provide reserves that are sufficient for the Premium Assistance benefits for each succeeding year. For June 30, 2022, the employer contribution to the Premium Assistance was 0.59% of the total employer contribution to the PSERS. Participating eligible annuitants are entitled to receive the lesser of \$100 per month or their out-of-pocket monthly health insurance premium.

The HOP is a voluntary health insurance program for the sole benefit of annuitants, spouses of annuitants, survivor annuitants and their dependents. The HOP is funded exclusively by the premiums paid by its participants. Participants may select among two self-funded Medicare supplement plans, three Medicare Rx plans, and multiple Medicare Advantage plans. Participants not eligible for Medicare have a choice of a self-funded high deductible indemnity plan and multiple managed care plans. The HOP maintains reserves for claims that are Incurred But Not Reported (IBNR) and for claim fluctuation for the self-funded benefit plans. At June 30, 2022, the PSERS recorded \$20,312 in IBNR.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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Total OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense - All Plans

	REHP*	RPSPP*	Judiciary	House	Senate	Premium Assistance*	Total
OPEB liability							
Primary government	\$ 9,481,849	\$ 8,209,344	\$ 662,550	\$ 884,100	\$ 240,919	\$ 14,048	\$19,492,810
Discretely presented component units	\$ 672,617	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 672,617
Deferred outflows of resources							
Primary government	\$ 2,301,930	\$ 2,137,004	\$ 71,404	\$ 233,096	\$ 18,503	\$ 2,647	\$ 4,764,584
Discretely presented component units	\$ 165,270	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 165,270
Deferred inflows of resources							
Primary government	\$ 6,717,190	\$ 810,549	\$ 211,318	\$ 126,870	\$ 161,517	\$ 580	\$ 8,028,024
Discretely presented component units	\$ 501,494	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 501,494
OPEB (income) expense							
Primary government	\$ (1,530,470)	\$ 404,519	\$ 30,428	\$ 72,671	\$ 7,785	\$ 860	\$ (1,014,207)
Discretely presented component units	\$ (104,180)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (104,180)

*Administered through a trust

Plans Administered Through Trusts - REHP and RPSPP

Plan Membership: At June 30, 2021, the REHP and the RPSPP OPEB plan membership consisted of the following (actual number of plan members):

	Census date:	
	December 31, 2020	
	REHP	RPSPP
Inactive plan members or beneficiaries currently receiving benefit payments	64,251	5,360
Inactive plan members entitled to but not yet receiving benefit payments	18,188	—
Active plan members	68,336	4,561
Total all plan members	150,775	9,921

Employer Contributions: REHP employer contributions are contractually required and established by the Office of Administration and the Office of the Budget. All participating agencies and certain plan members must contribute specified amounts to the REHP. During the fiscal year ended June 30, 2021, almost all REHP participating agencies contributed \$230 (whole dollars) for each current, active REHP eligible employee per biweekly pay period to fund the REHP. Several participating agencies contribute under different but comparable payment arrangements.

RPSPP employer contribution requirements are established by the Office of Administration and the Office of the Budget. During the fiscal year ended June 30, 2021 participating agencies contributed \$1,288 (whole dollars) for each current RPSPP eligible active employee per biweekly pay period to fund the RPSPP. RPSPP plan members are not required to make contributions.

The REHP and RPSPP funding rates needed to fund current year annuitant health care costs are established as part of the Commonwealth’s annual budgeting process. During the fiscal year ended June 30, 2021, the Commonwealth funded \$401,879 (estimated) and \$157,772 (estimated) of annuitant health care claims and administrative costs for the REHP and RPSPP, respectively. Liabilities are funded through the payroll complement rates within each fund. The **General Fund** and **Motor License Fund** funded 77.31% and 17.17%, respectively, of the Commonwealth’s governmental activities REHP OPEB contributions for the fiscal year ended June 30, 2021. The **General Fund** and **Motor License Fund** funded 96.10% and 0.95%, respectively, of the Commonwealth’s governmental activities RPSPP OPEB contributions for the fiscal year ended June 30, 2021. Any additional contributions to advance fund annuitant health care liabilities are determined annually by the Commonwealth. During the fiscal year ended June 30, 2021, advance funding of \$50,000 for REHP and \$1,000 for the RPSPP

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

was contributed to the Other Postemployment Benefits Investment Pool, a pension (and other employee benefit) trust fund. Determinations of advance funding amounts are evaluated annually.

Net OPEB Liability: The net OPEB liability for both the REHP and the RPSPP was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

	REHP	RPSPP
Actuarial cost method	Entry age normal	Entry age normal
Method used to determine actuarial value of assets	Market value	Market value
Investment returns	6.75%	5.00%
Inflation rate assumption	2.50%	2.50%
Payroll growth	2.80%	2.80%
Cost of living adjustment	N/A	N/A
Healthcare cost trend rates:		
Medicare Retiree	6.7% for 2021 decreasing to an ultimate rate of 4.0% for 2075 and later years	5.5% for 2021 decreasing to an ultimate rate of 4.0% for 2075 and later years
Non-Medicare retiree	6.9% for 2021 decreasing to an ultimate rate of 4.0% for 2075 and later years	6.5% for 2021 decreasing to an ultimate rate of 4.0% for 2075 and later years

Pre-retirement mortality rates were based on the Pub-2010 General Employees Headcount Weighted Mortality Tables, and adjusted for mortality improvements using MP-2020. Post retirement mortality rates for healthy participants were based on Pub-2010 General Employees Headcount Weighted Mortality Tables, with rates set forward one year for females, and adjusted for mortality improvements using projection scale MP-2020. Post retirement mortality rates for disabled participants were based on Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Tables, with rates set forward two years for males and females, and adjusted for mortality improvements using projection scale MP-2020.

The actuarial assumptions used in the June 30, 2021 valuation were based on the State Employees’ Retirement System (SERS) experience study that covered the years 2015 through 2019. The approved recommendations from that study were used to determine the assumptions for this valuation, where applicable. The inflation assumption was selected by the SERS Board during a July 2020 meeting based on a review of actual plan experience and the prevalent economic outlook. Consistent with prior valuations, these demographic assumptions assume beginning of year decrements (retirement, withdrawal, death, disability, etc.). For the employers that contribute to the REHP plan in accordance with a special contribution arrangement, the withdrawal assumption is increased by a factor of 1.67 for one year of service or less and increased by 8.35 percentage points for service of 2 years through 9 years.

The long-term expected rate of return on OPEB plan investments is determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over long periods of time to come up with an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	
	REHP	RPSPP
Private equity	9.30 %	9.30 %
International equity	6.30 %	6.30 %
Domestic equity	5.80 %	5.80 %
Real estate	5.10 %	5.10 %
Fixed income	2.10 %	2.10 %
Cash and cash equivalents	0.40 %	0.40 %

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Discount Rate: The discount rate used to measure the total OPEB liability was 3.63% for REHP and 2.16% for RPSPP as of June 30, 2021. The single discount rates were based on the 20-year Bond Buyer GO Index municipal bond rate as of the end of June 2020. REHP had insufficient assets to meet all year's projected benefit payments and therefore the long-term expected rate of return on the OPEB Investment Pool was applied to projected benefit payments through the last year in which the plan's fiduciary net position is projected to be sufficient to meet projected benefit payments and the municipal bond rate was applied to all remaining future years to determine the total OPEB liability. Since RPSPP had insufficient assets to meet next year's projected benefit payments, the municipal bond rate was applied to all periods of the projected benefit payments to determine the total OPEB liability. The projection of cash flows used to determine the single discount rates for each fiscal year-end assumed that employer contributions will be made based on the current funding policy for future years.

Changes in the Net OPEB Liability:

REHP	PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS		
	Total OPEB	Plan	Net OPEB	Total OPEB	Plan	Net OPEB
	Liability	Fiduciary	Liability	Liability	Fiduciary	Liability
	(a)	Net Position	(a)-(b)	(c)	Net Position	(c)-(d)
Balance at June 30, 2020	\$ 11,821,153	\$ 433,606	\$ 11,387,547	\$ 874,218	\$ 32,064	\$ 842,154
Changes for the year:						
Service cost	438,343	—	438,343	31,094	—	31,094
Interest	267,453	—	267,453	18,972	—	18,972
Changes in assumptions	(1,085,186)	—	(1,085,186)	(76,980)	—	(76,980)
Difference between expected and actual experience	(995,190)	—	(995,190)	(70,596)	—	(70,596)
Benefit payments:						
Employer paid	(376,242)	(376,242)	—	(26,688)	(26,688)	—
Contributions:						
Employer	—	425,082	(425,082)	—	23,333	(23,333)
Administrative expenses	—	(5,382)	5,382	—	(381)	381
Net investment earnings:						
Expected investment earnings	—	22,730	(22,730)	—	1,607	(1,607)
Difference between projected and actual earnings	—	123,577	(123,577)	—	8,766	(8,766)
Change in proportionate share	29,572	(5,317)	34,889	(33,562)	5,140	(38,702)
Net Change	(1,721,250)	184,448	(1,905,698)	(157,760)	11,777	(169,537)
Balance at June 30, 2021	\$ 10,099,903	\$ 618,054	\$ 9,481,849	\$ 716,458	\$ 43,841	\$ 672,617

RPSPP	PRIMARY GOVERNMENT		
	Total OPEB	Plan	Net OPEB
	Liability	Fiduciary	Liability
	(e)	Net Position	(e)-(f)
Balance at June 30, 2020	\$ 6,808,752	\$ 106,545	\$ 6,702,207
Changes for the year:			
Service cost	212,753	—	212,753
Interest	153,410	—	153,410
Changes in assumptions- discount rate	839,654	—	839,654
Difference between expected and actual experience	494,350	—	494,350
Benefit payments:			
Employer paid	(160,671)	(160,671)	—
Contributions:			
Employer	—	158,772	(158,772)
Administrative expenses	—	(661)	661
Net investment earnings:			
Expected investment earnings	—	5,264	(5,264)
Difference between projected and actual earnings	—	29,655	(29,655)
Net Change	1,539,496	32,359	1,507,137
Balance at June 30, 2021	\$ 8,348,248	\$ 138,904	\$ 8,209,344

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability for the REHP and the RPSPP OPEB plans of the Commonwealth, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

<u>REHP</u>	<u>Discount Rate</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
Net OPEB liability	2.63%	3.63%	4.63%
Primary Government	\$ 10,755,422	\$ 9,481,849	\$ 8,248,717
Discretely presented component units	\$ 770,702	\$ 672,617	\$ 591,078

<u>RPSPP</u>	<u>Discount Rate</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
Net OPEB liability	1.16%	2.16%	3.16%
Net OPEB liability	\$ 9,967,397	\$ 8,209,344	\$ 6,855,177

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the REHP and RPSPP OPEB plans Commonwealth, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

<u>REHP</u>	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
Net OPEB Liability	5.9% decreasing to 3.0%	6.9% decreasing to 4.0%	7.9% decreasing to 5.0%
Primary Government	\$ 7,982,504	\$ 9,481,849	\$ 11,137,761
Discretely presented component units	\$ 572,002	\$ 672,617	\$ 798,099

<u>RPSPP</u>	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
Net OPEB Liability	5.5% decreasing to 3.0%	6.5% decreasing to 4.0%	7.5% decreasing to 5.0%
Net OPEB Liability	\$ 6,785,685	\$ 8,209,344	\$ 10,080,252

OPEB Expense and Deferred Outflows and Deferred Inflows: For the year ended June 30, 2022, the primary government recognized OPEB income of \$1,530,470 and expense of \$404,519 for the REHP and the RPSPP, respectively, and the discretely presented component units recognized OPEB income of \$104,180 for the REHP.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

At June 30, 2022, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources are listed as follows:

REHP	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Primary Government	Discretely Presented Component Units	Primary Government	Discretely Presented Component Units
Employer contributions				
subsequent to measurement date	\$ 441,498	\$ 22,753	\$ —	\$ —
Changes in assumptions	1,154,874	81,922	(1,329,872)	(94,338)
Net difference between				
expected and actual plan experience	7,811	554	(4,600,611)	(326,356)
Net difference between				
projected and actual investment earnings	—	—	(91,635)	(6,500)
Changes in proportion	697,747	60,041	(695,072)	(74,300)
Total	\$ 2,301,930	\$ 165,270	\$ (6,717,190)	\$ (501,494)

RPSPP	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions		
subsequent to measurement date	\$ 157,313	\$ —
Changes in assumptions	1,535,803	(186,502)
Net difference between		
expected and actual plan experience	416,254	(574,294)
Net difference between		
projected and actual earnings on investments	—	(22,119)
Changes in proportion	27,634	(27,634)
Total	\$ 2,137,004	\$ (810,549)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date in the amounts of \$464,251 and \$157,313, for REHP and RPSPP, respectively, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

REHP		
Year ended June 30:	Primary Government	Discretely Presented Component Units
2022	\$ (2,112,351)	\$ (145,473)
2023	\$ (1,604,656)	\$ (111,751)
2024	\$ (680,915)	\$ (53,611)
2025	\$ (187,595)	\$ (21,445)
2026	\$ (271,241)	\$ (26,697)
Thereafter	\$ —	\$ —

RPSPP	
Year ended June 30:	Primary Government
2022	\$ 85,176
2023	\$ 197,306
2024	\$ 267,081
2025	\$ 336,623
2026	\$ 213,410
Thereafter	\$ 69,546

Plans Not Administered Through Trusts - Judiciary, House and Senate

Plan Membership: The Judiciary, House, and Senate OPEB plan membership consisted of the following (actual number of plan members):

	Census date:	January 1, 2022	July 1, 2020	May 1, 2022
		Judiciary	House	Senate
Inactive plan members or beneficiaries currently receiving benefit payments		1,678	1,246	528
Inactive plan members entitled to but not yet receiving benefit payments		—	—	—
Active plan members		1,883	1,688	770
Total all plan members		<u>3,561</u>	<u>2,934</u>	<u>1,298</u>

Employer Contributions: During the fiscal year ended June 30, 2022, the Judiciary funded \$26,622 of annuitant health care claims and administrative costs. The contribution policy of the Judiciary is to pay OPEB benefits as they come due. The Judiciary does not prefund its OPEB. The authority to pay OPEB benefits as they come due for the Judiciary OPEB plan, fall under the purview of the Supreme Court.

During the fiscal year ended June 30, 2022, the House funded \$23,090 of annuitant health care claims and administrative costs. The contribution policy of the House is to pay OPEB benefits as they come due. The authority to pay OPEB benefits as they come due fall under the purview of the House.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

During the fiscal year ended June 30, 2022, the Senate funded \$8,885 of annuitant healthcare claims and administrative costs. The contribution policy of the Senate is to pay OPEB benefits as they come due. The authority to pay OPEB benefits as they come due fall under the purview of the Senate.

Total OPEB Liability: The Judiciary, House and Senate reported a total OPEB liability for the fiscal year ended June 30, 2022. The valuation date and measurement date differed for each plan.

	Judiciary	House	Senate
Total OPEB liability reported June 30, 2022	\$ 662,550	\$ 884,100	\$ 240,919
Valuation date	June 30, 2022	July 1, 2020	July 1, 2021
Measurement date	June 30, 2022	July 1, 2021	June 30, 2022

Actuarial Assumptions and Other Inputs: The total OPEB liability in the GASB 75 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	Judiciary	House	Senate
Inflation	N/A	N/A	N/A
Salary increases	3.00 %	2.80 %	3.50 %
Discount rate	4.09 %	2.28 %	3.77 %
Healthcare cost trend rates	5.50% to 3.90%	5.50% to 4.00%	8.00% to 4.50%
Retirees share of benefit-related costs	1% to 100%	1.00 %	1.00 %
Cost of living adjustments	N/A	N/A	N/A

The discount rate was based on:

Judiciary- S&P Municipal Bond 20-year High Grade Rate Index at June 30, 2022

House- S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2021

Senate- An average of three 20-year bond indices (Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate index, Fidelity GA AA 20 Years) as of June 30, 2022.

Mortality rates were based on:

Judiciary- the RP-2000 Healthy Annuitant Mortality Table for Males or Females using projection scale AA

House- SERS defined benefit pension plan actuarial valuation

Senate- the Society of Actuaries Mortality Improvement Scale MP-2021

Changes in the Total OPEB Liability:

	Judiciary (June 30, 2022)	House (June 30, 2022)	Senate (June 30, 2021)
Total OPEB liability at beginning of fiscal year	\$ 850,745	\$ 907,284	\$ 382,900
Changes for the year:			
Service cost	43,932	46,752	2,122
Interest	19,190	17,512	14,268
Changes of benefit terms	—	—	—
Differences between expected and actual experience	(30,665)	—	—
Changes in assumptions or other inputs	(194,030)	(64,358)	(149,486)
Benefit payments	(26,622)	(23,090)	(8,885)
Net Changes	(188,195)	(23,184)	(141,981)
Total OPEB liability at end of fiscal year	\$ 662,550	\$ 884,100	\$ 240,919

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the Judiciary, House and Senate, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

Total OPEB liability	Discount Rate	1% Decrease	@ Discount Rate	1% Increase
Judiciary	4.09 %	\$ 750,033	\$ 662,550	\$ 589,819
House	2.28 %	\$ 1,048,870	\$ 884,100	\$ 754,277
Senate	3.77 %	\$ 278,810	\$ 240,919	\$ 210,697

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the Judiciary, House and Senate, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates.

Total OPEB liability	Healthcare Cost Trend Rate	1% Decrease	@ Healthcare Cost Trend Rate	1% Increase
Judiciary	5.50% to 3.90%	\$ 577,802	\$ 662,550	\$ 766,269
House	5.50% to 4.00%	\$ 725,996	\$ 884,100	\$ 1,094,281
Senate	8.00% to 4.50%	\$ 207,265	\$ 240,919	\$ 283,070

OPEB Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to OPEB: For the year ended June 30, 2022, the Judiciary, House and Senate recognized OPEB expense of \$30,428, \$72,671 and \$7,785, respectively. At June 30, 2022, the Judiciary, House and Senate reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Judiciary	House	Senate	Judiciary	House	Senate
Changes in assumptions or other inputs	\$ 71,404	\$ 209,069	\$ 18,503	\$ 155,224	\$ 81,542	\$ 161,517
Contributions subsequent to measurement date	—	24,027	—	—	—	—
Differences between expected and actual experience	—	—	—	56,094	45,328	—
Total	\$ 71,404	\$ 233,096	\$ 18,503	\$ 211,318	\$ 126,870	\$ 161,517

The House's \$24,027 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Judiciary	House	Senate
Year ended June 30:			
2023	\$ (32,694)	\$ 8,407	\$ (24,176)
2024	(32,693)	8,407	(24,176)
2025	(38,695)	8,407	(24,176)
2026	(35,832)	14,663	(24,176)
2027	—	24,534	(24,176)
Thereafter	—	17,781	(22,134)
Total	\$ (139,914)	\$ 82,199	\$ (143,014)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Special Funding Situation - Premium Assistance Plan

As a governmental nonemployer contributing entity in the Premium Assistance plan, the Commonwealth is required to contribute 50% of the employers share of the OPEB contribution for the non-school entities. The Commonwealth's proportionate share of the net OPEB liability at June 30, 2022 was \$14,048 or 0.5933%, which was a decrease of 0.0204% from its proportion measured as of June 30, 2021. The proportionate share is calculated utilizing the employers' one-year reported covered payroll as a percentage of the total one-year reported covered payroll. The Commonwealth is assigned 50% of non-school entities covered payroll for purposes of calculating proportionate share. The Commonwealth's proportionate share of OPEB expense, deferred outflows of resources and deferred inflows of resources are listed in the chart below.

	<u>Premium Assistance</u>
OPEB expense	\$ 860
Deferred outflows of resources	
Difference between expected and actual experience	\$ 131
Changes of assumptions	\$ 1,496
Difference between projected and actual investment earnings	\$ 28
Changes in proportion	\$ 277
Contributions subsequent to measurement date	\$ 706
Difference between employee contribution and proportionate share	\$ 9
Deferred inflows of resources	
Changes of assumptions	\$ 188
Changes in proportion	\$ 392

Employer Contributions: The contribution policy of the Premium Assistance plan is governed by applicable provisions of the Retirement Code. A portion of each employer pension contribution is set aside for the funding of the Premium Assistance. The total contribution rate for employers and governmental nonemployer contributing entities is 0.59% of the total employer pension contribution. The contribution rate for the Premium Assistance plan is set at a level necessary to establish reserves sufficient to provide Premium Assistance plan payments for all participating eligible members for the subsequent fiscal year. The Premium Assistance plan recognized \$706 of contributions during the fiscal year ended June 30, 2022.

NOTE 11 - CERTAIN CLAIMS LIABILITIES

The Pennsylvania Medical Care Availability and Reduction of Error Fund (Mcare), a special revenue fund, acts as a service agent to facilitate the payment of medical malpractice claims to claimants which exceed basic liability coverage carried by healthcare providers practicing in the Commonwealth. The Mcare collects statutory healthcare provider surcharges, as a percentage of insurance premiums for basic liability coverage; in turn, the Mcare pays claimants on behalf of healthcare providers. The Mcare has assets of \$121,628 at June 30, 2022. The Commonwealth has reported \$1,113,145 at June 30, 2022 with respect to the actuarially computed liability for outstanding claims for injuries caused by alleged negligence by certain healthcare providers. The claims will be funded exclusively through statutory surcharge assessments in future years as claims are settled and paid.

The Underground Storage Tank Indemnification Fund (USTIF), a special revenue fund, is used to collect fees from underground storage tank owners and operators sufficient to pay owners and operators for costs associated with corrective actions or for bodily injury or property damage caused by underground tank leaks and other releases. Owners and operators are assessed actuarially determined amounts to accumulate sufficient assets to pay claims. The Commonwealth has reported \$291,095 at June 30, 2022 with respect to the estimated actuarial liability for existing claims. There are statutory limits on the extent of the USTIF's liability to participating owners and operators; the USTIF is not obligated beyond assets held at June 30, 2022. The USTIF has assets of \$394,470 at June 30, 2022. Owners and operators will be assessed for any claims exceeding assets and no financial liability is reported for those claims.

NOTE 12 - JOINT VENTURE

The Commonwealth and various labor unions representing Commonwealth collective bargaining employees participate in a joint venture, the Pennsylvania Employees Benefit Trust Fund (PEBTF). The PEBTF was established in 1988 through an Agreement and Declaration of Trust (Agreement). The PEBTF establishes and provides healthcare benefits for active Commonwealth employees and is the Commonwealth's third-party administrator for paying retiree healthcare benefits for the REHP and the RPSPP. The Commonwealth has, in its collective bargaining agreements with unions participating in the Agreement, obligated itself to provide certain contributions on behalf of bargaining unit employees. The Commonwealth also remits contractually established contributions on behalf of active non-union employees and other active employees covered by contracts between the Commonwealth and other unions. Nearly all active employees contribute established percentages of their salaries and wages received, constituting an 'employee share,' to finance active employee benefits. During the fiscal year ended June 30, 2022 total employer contributions for active employees amounted to approximately \$1,020,964; active employee contributions amounted to approximately \$133,500. Neither the Commonwealth nor the unions have an equity interest in the PEBTF.

At June 30, 2022, for the active employees benefit program, the PEBTF reported total assets of \$919,155, total liabilities of \$2,268, total benefit obligations of \$113,579, and an excess of net assets over benefit obligations of \$803,308. During the fiscal year ended June 30, 2022 the PEBTF reported a decrease in net assets over benefit obligations of \$7,799 for the active employees benefit program.

Due to timing differences in the implementation and payment of the new employer contribution effective July 1, 2011, the PEBTF recorded \$237 in contribution overpayments for the fiscal year ended June 30, 2022. It is expected that these overpayments will be offset by reductions in contribution payments as the collective bargaining agreements are adopted.

Audited financial statements for the active employee healthcare plans are available, by request, from:

Pennsylvania Employees Benefit Trust Fund
150 South 43rd Street
Harrisburg, Pennsylvania 17111-5700

NOTE 13 - TAX ABATEMENTS**Tax Abatements**

A tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. As of June 30, 2022, the Commonwealth of Pennsylvania provided tax abatements through the following programs listed in alphabetical order:

- The Coal Refuse Energy and Reclamation Tax Credit program is administered by the Department of Community and Economic Development (DCED) under Article XVII-J of the Tax Reform Code of 1971 to incentivize Pennsylvania electric generating facilities to use coal refuse for power generation, control acid gases, and use ash produced to reclaim mining-affected sites. To be eligible, an electric generating facility must have been in service within the Commonwealth prior to July 1, 2016, must use qualified coal refuse to generate power, and use a qualified system to control acid gases. Additionally, facilities commit to using at least 50% ash produced in the prior year to reclaim mining-affected sites. Eligible facilities may apply for tax credits of \$4 dollars per ton of qualified coal refuse used, up to 22.2% of the annual program cap of \$20 million. If applications exceed the annual program cap, the credits will be prorated among applicants. The tax credit must be first applied against the tax liability in the year of issuance, may be carried forward 15 years, and after the initial filing may be sold to an approved business. Tax credits are valid to be deducted from the following taxes: corporate net income, personal income, bank and trust company shares, insurance premiums, title insurance company shares tax, gross receipts, and mutual thrift institutions. For the fiscal year ended June 30, 2022, \$15.2 million in taxes were abated.
- The Educational Opportunity Scholarship Tax Credit (EOSTC) is administered by DCED under Article XX-B of the Public School Code of 1949, 24 P.S. Section 20-2005-B and allows for businesses to receive tax credits for contributions to a list of pre-approved scholarship organizations. Businesses may apply to DCED for a tax credit equal to 75% of the contribution for a one-year pledge, or 90% of the contribution for a two-year pledge, up to \$750 thousand annually. After receiving the approved application from DCED, the business must make the contribution within 60 days, and provide DCED a written acknowledgment with proof within 90 days of the approved application. If proof is not received, the tax credit approval is void. Applications are approved first come/first served. Tax credits may not be sold, and total credits for the program cannot exceed \$55 million annually. If program thresholds are not met in a given year, the remaining balance will be available to the waiting list of the Education Tax Credit Program for Scholarship Organizations and Pre-Kindergarten Organizations, but not for Educational Improvement Organizations. Tax credits may be utilized against the following taxes: corporate net income, personal income, insurance premiums, bank and trust company shares, mutual thrift institutions, title insurance company shares, malt beverage, and surplus lines tax. For the fiscal year ended June 30, 2022, \$54.0 million in taxes were abated.
- The Educational Tax Credit, previously known as the Educational Improvement Tax Credit (EITC), is administered by DCED under Article XX-B of the Public School Code of 1949, 24 P.S. Section 20-2005-B to provide an incentive for Pennsylvania businesses to make contributions to a list of pre-approved Scholarship Organizations (SO), Educational Improvement Organizations (EIO), or Pre-Kindergarten Scholarship Organizations (PKSO). For both SOs and EIOs, businesses may apply to DCED for a tax credit equal to 75% of the contribution for a one-year pledge, or 90% of the contribution for a two-year pledge, up to \$750 thousand annually. For PKSOs, businesses may apply for a tax credit equal to 100% of the first \$10 thousand, and 90% of any additional amount up to \$200 thousand annually. After receiving the approved application from DCED, the business must make the contribution within 60 days, and provide DCED a written acknowledgment with proof within 90 days. If proof is not received, the tax credit approval is void. For two-year applications, if the second year contribution is not made, the prior year credit is reduced to 75%. Applications are approved first come/first served. Tax credits are applied against the tax liability in the year of the contribution or the following year if a pass-through entity. Credits may not be carried forward or sold, and total credits for the program cannot exceed \$225 million annually (\$175 million for SOs, \$37.5 million for EIOs, and \$12.5 million for PKSOs). If ETC's total program credits have been met, an applicant may elect to have the application be considered for the Opportunity Scholarship Tax Credit program instead. Tax credits may be utilized against the following taxes: corporate net income, personal income, insurance premiums, bank and trust company shares, mutual thrift institutions, title insurance company shares, malt beverage, and surplus lines tax. For the fiscal year ended June 30, 2022, \$209.7 million in taxes were abated.

NOTE 13 - TAX ABATEMENTS (continued)

- The Film Production Tax Credit is administered by DCED under Article XVII-D of the Tax Reform Code of 1971, and encourages production of films, television commercials, or television shows within the Commonwealth. To be eligible, the productions must be for a national audience, and production companies must spend a minimum of 60% of their total budgets on qualified Pennsylvania expenses. The budget must be approved by DCED. Tax credits are calculated at 25% of qualified Pennsylvania production expenses, with an option of an additional 5% if filming is at a qualified production facility within the Commonwealth. The total tax credits for an individual project are capped at 30% of the total annual program budget of \$70 million. The taxpayer also agrees to submit monthly progress reports and an independently audited report of expenses upon completion of the project. If the agreed upon qualified film production expenses are not incurred, the taxpayer must repay the Commonwealth the amount of tax credit claimed. Tax credits may be carried forward three years, and after the initial filing may be sold to an approved business. Tax credits may be utilized against the following taxes: corporate net income, personal income, insurance premiums, bank shares, mutual thrift institutions, and title insurance company shares. For the fiscal year ended June 30, 2022, \$66.9 million in taxes were abated.
- The Keystone Innovation Zone (KIZ) program is administered by the Ben Franklin Technology Development Authority (BFTDA) and DCED under Article XIX-F of the Tax Reform Code of 1971, and fosters entrepreneurial opportunities for young companies to grow in designated geographic areas. Each KIZ has a keystone innovation zone partnership and coordinator that develops a strategic plan for the targeted industry segments they are promoting. To be eligible for the tax credit a business must be located within a designated KIZ geographic area, must be in operation less than eight years, and must be within the specific KIZ's targeted industry sectors. Businesses must work with the KIZ coordinator prior to applying for the KIZ tax credit. Tax credits are awarded for 50% of the increase of revenues within the KIZ between the first and second year after application, up to \$100 thousand. If a business has operations outside the zone, the revenues are attributed based on property and payroll factors. If there is no payroll within the KIZ, the tax credit may be reduced. If there is no property or payroll within the KIZ, the business is ineligible. Businesses must report semi-annually through the KIZ Force reporting tool. If tax credits awarded exceed the \$15 million annual program cap, tax credits are prorated between recipients. Tax credits may be carried forward four years, and may be sold to an approved buyer after the initial year's filed taxes. Tax credits may be utilized against the following taxes: corporate net income and personal income. For the fiscal year ended June 30, 2022, \$15.0 million in taxes were abated.
- The Keystone Opportunity Zone Program (KOZ) is administered by DCED under Chapter 16B of the Pennsylvania Keystone Opportunity Zone Act, and is designed to create economic development in designated zones within the Commonwealth by providing tax abatements to businesses and residents located within the zones. While zones are in effect, qualified applicants within the zone are eligible to have tax liabilities waived for corporate net income tax, personal income tax, sales and use tax, mutual thrift institutions tax, bank shares tax, and insurance premiums tax. Businesses that cease operations in a KOZ within five years of first receiving tax benefits must repay a prorated percentage of the taxes abated; 66% if within three years or 33% if within four to five years. Existing Pennsylvania businesses relocating to the zone must satisfy one of the following relocation requirements to be eligible: increase full-time employment by at least 20% in the first year of operating within the KOZ; make a capital investment of at least 10% of the business' gross revenues of the year prior to relocating to the KOZ; or enter a lease agreement for the duration of the KOZ with aggregate lease payments of at least 5% of gross revenues of the year prior to relocating to the KOZ. KOZ applicants may not claim or accumulate the Tax Credit for New Jobs, the Research and Development tax credit, or the Neighborhood Assistance Program tax credit for activity performed within the zone. Qualified businesses must also be fully compliant with all state and local taxes and building codes, and within their annual renewal should include reporting on the jobs and private investment created within the KOZ. For residents to be eligible for tax waiver of personal income tax they must reside 184 consecutive days in the zone during each tax year, and comply with all state and local tax laws. In conjunction with the KOZ, the Commonwealth also at times committed to providing other economic growth opportunities in the form of grants, loans and training reimbursements. For the fiscal year ended June 30, 2022, \$110 million in taxes were abated.

NOTE 13 - TAX ABATEMENTS (continued)

- The Military Installation Remediation Program (MIRP) is administered by a contracting authority with oversight by the Department of Revenue (DOR), under Title 73 P.S. Trade and Commerce – Chapter 16E Transit Revitalization Investment District Act. The program is a hybrid tax incremental financing program with a primary focus for improvement and development within designated parcels in a municipality with a former military installation. Each year entities located or partially located within the designated parcels are required to file a MIRP report, which includes the following state taxes paid during the previous calendar year: corporate net income, bank and trust company shares sales, use and hotel occupancy, employer withholding, personal income tax paid by shareholders, members or partners of Subchapter S corporations, limited liability companies, partnerships and sole proprietorships and realty transfer. The total amount of state taxes certified and deposited into the MIRP fund for use by the contracting authority may not exceed 500% of the local taxes and additional money designated and transferred to the contracting authority by a municipality or municipal authority during the year. The authority may utilize the funds for 1) operational costs of the authority; 2) offset of surcharge applied to customers of a water provider relating to the costs of remediation relating to per-and polyfluoroalkyl substances (PFAs) present in drinking water related to the presence of a former military installation; 3) offset an amount attributable to an amount billed to customers of a water provider relating to the costs of remediation relating to PFAs present in drinking water related to the presence of a former military installation; 4) offset the cost of connecting a residence with a private well which is impacted by the presence of PFAs in drinking water related to a former military installation to a public water supply; 5) if available after satisfaction of (1), (2), (3), (4) may be used for: transportation infrastructure and economic development costs within designated boundaries of the MIRP; and payment of debt service on bonds issued or refinanced for the acquisition, development, construction, including related infrastructure and site preparation, reconstruction or renovation or refinancing of a project under (2), (3), (4). All eligible MIRP projects must be geographically located within the MIRP and be approved by the authority. Once in operation, the payment of taxes associated with the project can go toward payment of the debt service owed by the developer on the project. The MIRP designation is effective for a period of 30 years. For the fiscal year ended June 30, 2022, \$15.8 million in taxes were abated and deposited into the MIRP fund for use by the contracting authority.
- The Neighborhood Assistance Programs are administered by DCED under Article XIX-A of the Tax Reform Code of 1971, and provides an incentive for Pennsylvania business to contribute to approved neighborhood organizations' projects or otherwise provide qualified assistance to impoverished areas. There are five subset programs to Neighborhood Assistance Program tax credit program: the Neighborhood Assistance Program (NAP) is for contributions for projects to improve distressed communities, the Special Program Priorities (SPP) targets Commonwealth designated priority problems or projects within a distressed area, the Neighborhood Partnership Program (NPP) works holistically on multiple projects and contributions must be for five or more years, the Charitable Food Program (CFP) supports nonprofit regional food banks, and the Enterprise Zone Program (EZP) allows businesses in distressed areas to receive tax credits for investing directly in the construction costs of rehabilitating or improving buildings or land. The eligibility requirements and tax credit awards vary by subset program. In order to be eligible for the NAP, SPP, NPP and CFP tax credits, a business must provide to DCED a letter of commitment on corporate letterhead to contribute to an approved neighborhood organization's project in one of these subset programs. Upon approval, the contribution must be made within 12 months, and the business must submit proof of contribution to DCED within 18 months to receive the tax credit certificate. The neighborhood organization must use the donation on the approved project within 15 months of the donation. Tax credits are awarded at 55% of the contribution for NAPs, 75% of the contribution for SPPs, 75-80% for Neighborhood Partnership Programs, and 55% for Charitable Food Programs. The tax credit per business is capped at \$500 thousand for contributions to three or fewer projects or \$1.25 million for four or more projects. In order to be eligible for the EZP, a business must invest in the rehabilitation, expansion, improvement, engineering, architecture or acquisition of a building or land within a designated Enterprise Zone distressed community. The business must additionally provide full-time employment opportunities with benefits at a defined family sustainable wage. The tax credits are awarded at 25% of the investment up to a \$500 thousand limit per business. The Neighborhood Assistance Programs combined annual cap is \$36 million. Tax credits must be applied against the business' tax liability, can be carried forward five years, and after the initial filing may be sold to an approved business. The tax credits may be utilized against the following taxes: corporate net income, personal income, bank and trust company shares, mutual thrift institutions, insurance premiums, and title insurance. For the fiscal year ended June 30, 2022, \$35.9 million in taxes were abated.

NOTE 13 - TAX ABATEMENTS (continued)

- The Neighborhood Improvement Zone Program (NIZ) is administered by a contracting authority with oversight by the Department of Revenue (DOR), under Article XIX-B of the Tax Reform Code of 1971, and is a hybrid tax incremental financing program with a primary focus for the construction of an arena and a secondary focus for economic development in the zone. Each year entities located or partially located within the zone are required to file a NIZ report, which includes the following state taxes paid during the previous calendar year: corporate net income, bank and trust company shares, sales, use and hotel occupancy, employer withholding, gross receipts, unemployment compensation, realty transfer, cigarette, vehicle rental, gross premiums, malt beverage, and liquor/wine. The total amount of state taxes certified by DOR and applicable local taxes are deposited into the NIZ fund for use by the contracting authority. The authority may utilize the funds for the payment of debt service on bonds issued for the construction of the arena, or to fund the debt service of additional eligible improvement projects within the zone. All eligible NIZ projects must be geographically located within the NIZ and be approved by the authority. Once in operation, the payment of taxes associated with the project can go toward payment of the debt service owed by the developer on the project. The NIZ zone is effective for a period equal to the payment of all debt service incurred, including bond repayment or 30 years, whichever occurs first. For the fiscal year ended June 30, 2022, \$69.3 million in taxes were abated and deposited into the NIZ fund for use by the contracting authority.
- The Resource Enhancement and Protection Tax Credit (REAP) is administered by the State Conservation Commission (SCC) under Article XVII-E of the Tax Reform Code of 1971 and provides an incentive for farmers and agricultural businesses to institute “Best Management Practices” (BMP) to protect Pennsylvania natural resources. Pennsylvania farmers or businesses must apply to the SCC with an eligible BMP project, and must agree to maintain the BMP for the life span of the practice as defined by the SCC. Tax credits are awarded at 50% - 90% of eligible implementation costs, dependent on the type of BPM, up to \$250 thousand in a 7-year period per agricultural operation. The program is first come/first served up to the annual program cap of \$13 million. The tax credit must be first applied against the tax liability in the year of issuance, may be carried forward 15 years, and may be sold to an eligible entity after one year from the date of issuance of the credit. If the BMP is not maintained for the entire defined life span, all tax credits must be refunded. Tax credits may be utilized against the following taxes: corporate net income, personal income, bank shares, mutual thrift institutions, insurance premiums, and title insurance company shares. For the fiscal year ended June 30, 2022, \$11.9 million in taxes were abated.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Construction and Other Commitments: At June 30, 2022 the Department of Transportation (DOT) had contractual commitments of approximately \$7,026,104 for various DOT highway construction and mass transit projects. Financing for these future expenditures will be primarily from approved federal grants and general obligation bond proceeds. In addition, the Commonwealth has a variety of contractual and other commitments for future subsidies and purchases of goods and services for approximately \$7,712,557 at June 30, 2022. Actual expenditures are contingent upon approved spending authority and/or availability of financial resources.

Encumbrances: The Commonwealth utilizes encumbrances to account for outstanding commitments for open purchase orders and unfulfilled contracts. Amounts related to encumbrances based on outstanding purchase orders or other contracts are as follows:

General Fund	\$ 1,185,550
Motor License Fund	580,023
Capital Facilities Fund	1,652,471
Other nonmajor funds	642,301
Total	<u>\$ 4,060,345</u>

Investment Commitments: At June 30, 2022, the **Tuition Payment Fund** had capital commitments of \$200,000 to fund alternative investments, of which \$15,875 was unfunded. At June 30, 2022, the Other Postemployment Benefits funds, REHP and RPSPP, had capital commitments of \$10,000 to fund alternative investments of which \$6,847 was unfunded.

Loan and Grant Commitments: At June 30, 2022 primary government funds had approved \$4,189 in loans that had not been disbursed. Also, at June 30, 2022 the **Commonwealth Financing Authority (CFA)**, a blended component unit, had approved loans and grants that had not been disbursed of \$1,195,353.

Lease Commitments: As of June 30, 2022, the Commonwealth has leases that have not yet commenced, with lease payments due on an undiscounted basis of \$52,650 over the respective lease terms. These leases commence in 2022 and 2023 with lease terms ranging between 2022 and 2036.

In 2016, the Commonwealth amended a long-term lease agreement with Harristown Development Corporation (HDC) in order to finance energy efficiency upgrades and capital improvements to the leased office space. The Commonwealth issued \$38,935 of certificates of participation, which are secured and payable through the annually appropriated lease payments paid by Commonwealth to HDC. The certificates are not secured by a pledge of the Commonwealth’s full faith, credit and taxing power, and the Commonwealth has no obligation beyond the annually appropriated lease payments. For the fiscal year ended June 30, 2022, the lease payments assigned for payment of debt service totaled \$5,722. As of June 30, 2022, the total principal remaining on the certificates of participation is \$16,270.

Child Support Payments: At June 30, 2022, the Commonwealth was contingently liable for approximately \$14,061 in payments received by a contractor to be used for child support payments.

Litigation: The Commonwealth is a defendant in numerous legal proceedings pertaining to matters normally incidental to routine operations. Such litigation includes, but is not limited to, claims asserted against the Commonwealth arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of Commonwealth and Federal laws. The Commonwealth has reported accrued liabilities at June 30, 2022 with respect to torts as described in Note 8 for probable losses. The Commonwealth has not identified any additional cases where the likelihood of an unfavorable outcome is probable.

Additionally, the Commonwealth is currently involved in certain legal proceedings for which the likelihood of an unfavorable outcome is reasonably possible and may impair future revenue sources. Unfavorable outcomes for such cases, which the Commonwealth is vigorously contesting, could range from approximately \$26,000 to \$395,000 for the **General Fund**; \$10,000 to \$76,000 for the Philadelphia Regional Port Authority, an enterprise fund; and \$100 to \$1,069,000 of possible additional liabilities for the State Employees’ Retirement System, a fiduciary fund. The range of potential liability for governmental activities is from \$26,000 to \$395,000. The liability for these cases has not been recorded as of June 30, 2022. Moreover, there are some legal proceedings regarding the restriction of use of certain Commonwealth’s funds.

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

Federal Grants: The Commonwealth receives significant financial assistance from the Federal Government in the form of grants and entitlements, including several non-cash programs (which are not included in the basic financial statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit Act or to financial and compliance audits by the grantor agencies of the Federal Government or their designees. Disallowances and sanctions as a result of these audits may become liabilities of the Commonwealth. The Commonwealth is currently involved in administrative and legal proceedings, with certain federal agencies, contesting various disallowances and sanctions related to federal assistance programs ranging from \$24,000 to \$322,000 at June 30, 2022. The Commonwealth’s management believes ultimate disallowances and sanctions, if any, will not have a material effect on the basic financial statements.

The American Rescue Plan Act of 2021 provided \$7,291,328 from the State and Local Fiscal Recovery Funds (SLFRF) to the Commonwealth, with \$2,369,435 remaining to be spent at June 30, 2022 and appropriated for use in fiscal year 2022-2023. The funds are anticipated to be fully obligated on allowable expenses by December 31, 2024, and liquidated by December 31, 2026, however, any monies unspent at that time will revert back to the U.S. Treasury.

Unemployment Compensation Payments: During the COVID-19 pandemic, the Commonwealth received Federal funding to provide unemployment benefits to those needing support. These programs experienced a high number of fraudulent claims, primarily through stolen identities. As this issue has affected many state workforce agencies, the U.S. Department of Labor and local authorities have joined forces to investigate the cause and extent of the activity. These authorities have not decided on the treatment of these payments, and whether the Commonwealth would need to repay all, a portion, or none of the Federal funds.

Lottery Prizes: The **State Lottery Fund (Lottery)**, an enterprise fund, awards a variety of prizes, including immediate, lump-sum cash prizes and certain large prizes, which provide for periodic payments to winners for specific periods of time (in some cases throughout the winners’ lifetimes, and to designated beneficiaries). At June 30, 2022, the amount of future payments owed to prizewinners was \$402,105. To satisfy its financial obligation to these prizewinners, the **Lottery** purchases annuity contracts from insurance companies whereby the insurance companies make periodic payments to prizewinners. Generally, in the event of insurance company default, the **Lottery** is liable for the related annuity payments. However, certain prizewinners voluntarily assign their annuity rights to other parties and receive lump-sum payments in return. In the event of insurance company default where annuity rights have been voluntarily assigned by prizewinners, the **Lottery** is not liable for the related annuity payments. At June 30, 2022, prizewinners had voluntarily assigned future payments of \$589,532.

Pennsylvania Turnpike Commission (PTC): The PTC, a discretely presented component unit, had \$991,710 of Special Revenue Bonds outstanding at May 31, 2022. Pursuant to Act 44 of 2007 the PG, through its **Motor License Fund**, provided security for these bonds in the event of a debt service shortfall. This guarantee extends until the retirement or defeasance of any special revenue bonds or until October 13, 2057, whichever is sooner. To date, the PTC has made all required Special Revenue Bond debt service payments. No funds have been drawn or requested from the Commonwealth’s **Motor License Fund** for special revenue bond debt service during the current reporting period or any prior reporting periods. In the event that the Commonwealth’s **Motor License Fund** would be required to make a special revenue bond debt service payment, a provision of the Amended Lease and Funding Agreement, executed between the PTC and the **Motor License Fund**, requires the PTC to reimburse the **Motor License Fund** for any special revenue bond debt service payments plus interest.

During the PTC’s fiscal year ending May 31, 2022, total interest and principal due on the \$1,002,231 of special revenue bonds outstanding at May 31, 2022 will amount to \$39,137 and \$14,290, respectively. Disclosures related to the PTC’s special revenue bonds payable as of May 31, 2022 are provided in Note 16 to the basic financial statements.

Loan Guarantees: The **CFA**, through various economic development programs, provided loan guarantees as of June 30, 2022 as follows:

First Industries Loan Guarantees	\$	11,191
Tax Increment Financing Guarantees		18,338
New Pennsylvania Venture Guarantees		36,998
Total Loan Guarantees	\$	<u>66,527</u>

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

In the event a borrower is unable to make the required debt service payment on a guaranteed debt issuance, or a loss is incurred on the aggregate guaranteed investment portfolio, the **CFA** is required to make payment. The guarantees related to the First Industries and Tax Increment Financing Guarantee extend through July 15, 2035 and July 1, 2032, respectively, as of June 30, 2022. The guarantees related to the New Pennsylvania Venture Guarantee Program extend throughout the life of the investment portfolio.

Nonexchange Financial Guarantees: As of June 30, 2022, the Commonwealth, in accordance with Act 52 of 2013 as amended by Act 84 of 2016 and Act 68 of 2020, guarantees the remaining liability of the 25-year, \$6,000 August 2017 conduit debt loan entered into by the Bethlehem Revitalization & Improvement Authority (BRIA), a legally separate reporting entity. The loan matures in 2044, with a variable interest rate of at least 4.375% during the loan term. The Commonwealth also guarantees the remaining liability of the \$3,250 conduit debt loan entered into by the BRIA in 2019. The total principal amounts outstanding under these notes for 2020 are \$9,112. The conduit debt instruments are not reported as liabilities in the BRIA's financial statements. These notes are secured by the respective property financed and are payable solely from payments received on the underlying note between lending banks and the borrowers. In the event that the BRIA is unable to make payment on these obligations, the Commonwealth will be required to make that payment on behalf of the BRIA under the borrowing provision within the CRIZ law.

The Commonwealth also guarantees a tax revenue note issued on March 15, 2020 in the amount of \$5,500 for the of the Lancaster City Revitalization and Improvement Zone (CRIZ) Authority's Small Business Program. The note is at an interest rate of 3.89% through and including June 15, 2030. Thereafter the interest rate is variable rate base on the London Interbank Offered Rate plus 1.80% not to exceed 6%. The note maturity date is December 15, 2040. The note is secured by a pledge of the Authority's revenues. In the event that the Lancaster CRIZ Authority is unable to make payment on these obligations, the Commonwealth will be required to make that payment on behalf of the Lancaster CRIZ Authority under the borrowing provision within the CRIZ law.

The Commonwealth guarantees the assets of the Tamaqua Revitalization & Improvement Authority (TRIA) to cover all public funds deposited in excess of FDIC limits. As of the TRIA's fiscal year ended December 31, 2021, \$1,580 of the Authority's bank balance of \$1,830 was exposed to custodial credit risk.

The **CFA** has recognized a liability for nonexchange financial guarantees at June 30, 2022 of \$18,051 and has made cumulative payments of \$14,417 for said amount. The **CFA** expects to recover a portion of these amounts in future periods; however, at this time the amount of any future recoveries is undeterminable.

Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
\$ 17,356	\$ 1,691	\$ 996	\$ 18,051

Primary Government Commitment for the Pennsylvania Convention Center Authority (PCCA): According to a contractual arrangement (Operating Agreement) among the Commonwealth, the City of Philadelphia, and the PCCA, a discretely presented component unit, the Commonwealth is required to make payments to the PCCA to finance operating deficits. Such payments are to be primarily financed using the Gaming Fund. The Gaming Fund is used to finance a variety of programs and/or projects and the Gaming Fund itself may be unable to finance all of the PCCA operating deficits during the term of the Operating Agreement, which expires in 2039. In that event, primary government payments to the PCCA based on the Operating Agreement must be financed using funds separate from the Gaming Fund; such amounts are subject to annual appropriation by the General Assembly.

Primary Government Commitment for the CFA: According to a contractual arrangement (Service Agreement) among the Department of Community and Economic Development, the Office of the Budget and the **CFA**, the primary government is required to request sufficient annual appropriations from the General Assembly (to be funded by the **General Fund** and the Gaming Fund) to finance the service fee established in the Service Agreement. The service fee is the only significant source of funds the **CFA** has to pay its debt service obligations. The amount of such service fee is to be requested by October 1, each year, for the succeeding fiscal year budget effective July 1 of the following year. During the term of the Service Agreement, there can be no assurance that 1) the General Assembly will annually appropriate sufficient amounts to fund the annual service fee, or 2) funds will be available to finance such annual appropriations. During the fiscal year ended June 30, 2022 the

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

primary government paid a service fee in the amount of \$338,533. Disclosures related to the CFA's \$4,356,860 of revenue bonds payable are provided in Note 6 to the basic financial statements.

Primary Government Commitment for the Pittsburgh Penguins Arena: A lease agreement between the Commonwealth and the Sports and Exhibition Authority of Pittsburgh and Allegheny County (SEA) created a 'subject to appropriation' obligation of the Commonwealth. In October 2007, the SEA issued \$313,300 of Commonwealth Lease Revenue Bonds (the Arena Bonds) to finance a multi-purpose arena to serve as home of the Pittsburgh Penguins (the Penguins), a hockey team in the National Hockey League. The Arena Bonds are not debt of the Commonwealth but are limited obligations of the SEA payable solely from the special revenues pledged. These special revenues include annually (1) \$4,100 from a lease with the Penguins, (2) not less than \$7,500 from the operator of a casino located in the City of Pittsburgh, and (3) \$7,500 from the Commonwealth's Gaming and Economic Development and Tourism Fund. While the special revenues are currently projected to be adequate to pay all debt service on the Arena Bonds, to the extent such revenues in any year are inadequate to cover debt service, the Commonwealth is obligated under the Arena Lease to fund such deficiency, subject in all cases to appropriation by the General Assembly. The maximum annual amount payable by the Commonwealth under the Arena Lease is \$19,100.

In April 2010, the SEA issued \$17,360 in additional Commonwealth Lease Revenue Bonds (the Supplemental Arena Bonds). The Supplemental Arena Bonds do not constitute debt of the Commonwealth but are limited obligations of the SEA payable solely from the special revenues pledged therefor. The Commonwealth is obligated under the Arena Lease to fund any deficiency in special revenues necessary to pay debt service; subject in all cases to appropriation by the General Assembly. For fiscal year ended June 30, 2022 the actual amount appropriated to support the SEA debt service was \$2,314.

NOTE 15 - NET POSITION AND FUND BALANCE

Governmental Activities and Business-Type Activities Net Position: Total net position is the difference between total assets and total deferred outflows of resources less total liabilities and total deferred inflows of resources as reported on the statement of net position. Total net position is reported in three distinct components: Net investment in capital assets; restricted net position; and unrestricted net position.

Net investment in capital assets represents total capital assets less accumulated depreciation and the outstanding liability (excluding unspent proceeds) for debt specifically related to the construction and acquisition of the capital assets. At June 30, 2022, governmental and business-type activities, respectively, reported net investment in capital assets of \$36,402,101 and \$808,232.

Restricted net position is reported based on constraints imposed by either: 1) creditors, grantors, contributors, or laws or regulations of the Federal or other governments; or 2) Commonwealth enabling legislation. At June 30, 2022, governmental and business-type activities, respectively, reported \$5,102,094 and \$2,130,656 of restricted net position. Net position restricted for other purposes of \$156,333 for business-type activities at June 30, 2022 include amounts for a range of dissimilar statutory purposes.

Unrestricted net position represents total net position less the amounts of net investment in capital assets and restricted net position. At June 30, 2022, governmental and business-type activities, respectively, reported unrestricted net position deficits of \$23,171,439 and \$4,353,956.

Governmental Funds Fund Balance: Reported fund balance within individual governmental funds is categorized between nonspendable and spendable categories. At June 30, 2022 nonspendable fund balance is only reported for amounts which are not in spendable form; no nonspendable fund balance is reported based on either legal or contractual requirements to be maintained intact. Within the spendable category, fund balance is further categorized among: restricted, committed, assigned and, unassigned categories. For the **General Fund**, balances may be reported within any of the four spendable categories. However, for all other funds, all balances must be reported within the restricted, committed, or assigned categories, with the exception of a fund balance deficit, which then must be reported in the unassigned category. At June 30, 2022, spendable governmental funds fund balance is categorized among all categories except that no assigned fund balance is reported among any governmental fund for which reporting assigned fund balance would cause reporting a deficit unassigned fund balance. The following chart provides detail about reported nonspendable fund balance and fund balance restrictions, commitment, and assignments at June 30, 2022:

NOTE 15 - NET POSITION AND FUND BALANCE (continued)

	General Fund	Motor License Fund	Nonmajor Funds	Total
Nonspendable:				
Not in spendable form:				
Advances to other funds	\$ 4,475	\$ —	\$ —	\$ 4,475
Long-term loans receivable	20,044	—	—	20,044
Due from component unit	56,337	—	—	56,337
Total nonspendable	80,856	—	—	80,856
Restricted for:				
General government operations	20,545	—	30,794	51,339
Health-related programs	—	—	90,684	90,684
Transportation	238	2,017,572	1,940,567	3,958,377
Unemployment/worker's compensation	—	—	1,248,360	1,248,360
Environmental and conservation programs	—	—	930,887	930,887
Economic development	10,977	—	27,195	38,172
Gaming/horse racing regulation	—	—	1,294,155	1,294,155
Emergency support	4,927	—	109,114	114,041
Beneficiaries	—	—	917,437	917,437
Human services	213,510	—	—	213,510
Public protection	29,442	—	71,544	100,986
Total restricted	279,639	2,017,572	6,660,737	8,957,948
Committed for:				
General government operations	1,255,839	—	—	1,255,839
Health-related programs	161,905	—	50,189	212,094
Transportation	293	—	45,895	46,188
Capital projects	94,827	—	297,445	392,272
Debt service	—	—	18,531	18,531
Elderly programs	27,178	—	—	27,178
Environmental and conservation programs	246,278	—	51,185	297,463
Economic development	129,979	—	—	129,979
Emergency support	8,057	—	—	8,057
Higher education	263,099	—	—	263,099
Budget stabilization	2,870,952	—	—	2,870,952
Beneficiaries	1	—	—	1
Human services	193,320	—	—	193,320
Public protection	491,340	—	—	491,340
Total committed	5,743,068	—	463,245	6,206,313
Assigned for:				
Public protection	23,458	—	—	23,458
Unassigned (deficit)	7,244,214	—	(115,963)	7,128,251
Total fund balances	\$ 13,371,235	\$ 2,017,572	\$ 7,008,019	\$ 22,396,826

A portion of the nonspendable fund balance reported by the **General Fund**, \$4,475, is applicable to advances to other funds at June 30, 2022 as follows: \$2,300 to the **State Workers' Insurance Fund**, an enterprise fund; and \$2,175 to the **Motor License Fund**; a special revenue fund.

NOTE 15 - NET POSITION AND FUND BALANCE (continued)

Governmental Funds Fund Balance Deficit: The Capital Facilities fund, a capital projects fund, reported a deficit of \$101,882; and the Uninsured Employers' Guaranty Fund and the Philadelphia Taxicab and Limousine Regulatory Fund, both special revenue funds, reported deficits of \$13,792 and \$289, respectively, at June 30, 2022.

Proprietary Funds Net Position: Nonmajor enterprise funds reported total restricted net position for "other purposes" of \$156,333 at June 30, 2022 for the following programs: mine subsidence insurance, \$148,079; vocational support, \$2,497; maintain historical properties, \$2,768; restaurant maintenance in state facilities, \$457; and local government loans, \$2,532.

Proprietary Funds Unrestricted Net Position Deficits: In addition to unrestricted net position deficits reported in two of the six major enterprise funds (**State Stores Fund** and the **Commonwealth Financing Authority**, a blended component unit), two nonmajor enterprise funds and two internal service funds reported an unrestricted net position deficit in the statement of net position-proprietary funds at June 30, 2022. These enterprise funds reported the following unrestricted net position deficits at June 30, 2022: the Rehabilitation Center Fund, \$43,569; and the Philadelphia Regional Port Authority (a blended component unit), \$2,269.

The Manufacturing Fund and the Purchasing Fund, both internal service funds, reported unrestricted net position deficits of \$8,298 and \$38,873, respectively, at June 30, 2022. With the Commonwealth's implementation of GASB Statements No. 68 and No. 75, these funds have reported pension and other postemployment benefit liabilities, causing these deficits.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS

Discretely Presented Component Units (DPCUs) as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, paragraph 20, and amended by GASB 61, paragraph 4b, are legally separate organizations for which the elected officials of the primary government (PG) are financially accountable. In addition, DPCUs can be other organizations of which the nature and significance of their relationship with the PG is such that exclusion of these organizations from the PG’s financial statements would be misleading. DPCUs are established for the benefit of the Commonwealth’s citizenry for a variety of purposes such as economic development, financing and public transportation. The following DPCU disclosures include only information that is deemed essential to the fair presentation of the Commonwealth’s financial statements.

Restatements

The Pennsylvania Higher Education Assistance Agency (PHEAA), and the State System of Higher Education (SSHE) adopted GASB Statement No. 87, "Leases." for the fiscal year ended June 30, 2022. GASB 87 requires all leases to be reported as financing arrangements of the right to use a third party’s asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Certain outlays prior to the commencement of the lease are included in the recognition of the intangible right-to-use lease asset or deferred inflow of resources for lessee and lessor arrangements, respectively, that are not recognized in the associated liability or receivable. The following table reflects the aggregate restatement impact on the beginning net positions:

<u>Statement of Net Position</u>	<u>PHEAA</u>	<u>SSHE</u>
Net position (deficit), as previously reported, at June 30, 2021 ...	237,862	(966,623)
Cumulative effect of adopting GASB 87	(501)	1,645
Net position (deficit), as restated, at July 1, 2021	<u>\$ 237,361</u>	<u>\$ (964,978)</u>

Deposits, Investments and Financial Instruments with Off-Balance Sheet Risk

DPCU organizations typically control receipt and disbursement of their own deposits, often through a trustee. Enabling legislation provides varying authority for investments; several DPCU organizations participate in the Commonwealth Investment Program (CIP).

Fair Value of Investments

The following table categorizes the investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs; the fair value of certain investments that do not have a readily determinable fair value are classified as net asset value (NAV).

A more detailed discussion of the application of the fair value hierarchy as it applies to each component unit is available from the component units separately issued financial statements.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Investment Type/Fair Value	PTC	PHFA	PHEAA	PENNVEST	SSHE
Asset backed securities					
Level 2	\$ —	\$ —	\$ —	\$ —	\$ 171,481
Bond mutual funds					
Level 1	—	—	—	—	6,733
Level 2	—	—	—	—	1,349
NAV	—	—	—	—	4,315
Commercial paper					
Level 2	—	—	84,580	—	150,094
Common stock					
Level 1	—	—	—	—	322
Commonwealth investment pool					
Level 2	—	—	—	1,459,921	—
NAV	—	—	550,182	—	—
Corporate obligations					
Level 2	132,860	—	—	—	177,318
Debt securities					
Level 1	—	—	—	—	203
Level 2	—	—	—	—	2,189
Equity balanced mutual funds					
Level 1	—	—	—	—	21,255
Level 2	—	—	—	—	21,114
Level 3	—	—	—	—	1,724
NAV	—	—	—	—	5,230
GNMA mortgages					
Level 2	580	—	—	—	—
Investment derivative instruments					
Level 2	(1,159)	—	—	—	—
Money market mutual funds					
Level 1	—	—	358,744	—	—
Level 2	—	—	—	—	90,946
Mortgage-backed securities					
Level 2	—	49,554	—	—	154,290
Municipal bonds					
Level 2	32,641	—	—	—	—
U.S. Government agency obligations					
Level 1	—	—	—	—	13
Level 2	11,316	263,664	—	—	208,411
U.S. Treasury obligations					
Level 1	1,956,254	—	—	—	—
Subtotal Level 1	1,956,254	—	358,744	—	28,526
Subtotal Level 2	176,238	313,218	84,580	1,459,921	977,192
Subtotal Level 3	—	—	—	—	1,724
Subtotal NAV	—	—	550,182	—	9,545
Total	\$ 2,132,492	\$ 313,218	\$ 993,506	\$ 1,459,921	\$ 1,016,987

Note: Does not include PENNVEST securities lending collateral of \$35,397 or \$681,401 of investments reported by component units of the SSHE.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**Deposit Risks**

Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the DPCU would not be able to recover the value of the deposits.

At May 31, 2022, \$35,500 of the Pennsylvania Turnpike Commission's (PTC) demand deposits were exposed to custodial credit risk, as they were uninsured and collateralized with securities held by an agent of the pledging financial institution but are not in the PTC's name.

The Pennsylvania Housing Finance Agency (PHFA) held \$578,743 of cash deposits that were uninsured but collateralized in accordance with the Commonwealth of Pennsylvania Act 72 of 1971, as amended, by securities held by the pledging financial institution, its trust department or agent, but not in the PHFA's name.

The Pennsylvania Higher Education Assistance Agency (PHEAA) held \$15,200 of deposits with financial institutions in excess of federal depository insurance limits that were uninsured.

The majority of the Pennsylvania Infrastructure Investment Authority (PENNVEST) deposits are held in the CIP. Deposits of the CIP must be held in insured depositories and must be fully collateralized.

The Pennsylvania State System of Higher Education (SSHE) held \$1,741 of uninsured and uncollateralized deposits and \$44,054 was covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971, as amended.

Investment Risks

Risk Management Policies: DPCU policies for certain risks are established by governing boards and bond indentures. Credit quality risk is addressed by establishing minimum nationally recognized statistical rating organization (NRSRO) ratings for allowable investment purchases. Concentration of credit risk is also avoided by limiting the concentration of investments in any one issuer. Some organizations have policies in place that prohibit a certain percent of the overall portfolio, whereas others determine concentration limits based on security type. Custodial credit risk is typically avoided through registration.

The PTC investment policies established by its bond indentures and the PTC management define guidelines and operational factors governing the investment of financial assets. Management's policy generally has the same restrictions regarding permitted investments as the indentures. Allowable investments include obligations of, or obligations guaranteed by, the United States of America, its agencies, and its instrumentalities; certificates of deposit issued by institutions insured by the FDIC or fully collateralized with United States Government obligations; investment agreements with certain financial institutions; commercial paper and asset-backed securities rated in the highest category by applicable rating agencies; money market funds and auction rate certificates rated in one of the two highest categories by applicable rating agencies; corporate bonds and medium term notes with a minimum rating of AA-; investments in bonds or notes issued by any state or municipality which are rated by Moody's, S&P and Fitch in one of their two highest rating categories; and repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York collateralized with obligations of, or guaranteed by, the United States of America. All investment ratings shall be based on security ratings at the time of purchase. The portfolio's average credit quality should be rated Aa3/AA- or better by Moody's/S&P.

Commonwealth statutes and contractual provisions contained within the PHFA's bond trust indentures govern the investment policies of the PHFA. The Housing Finance Agency Law, December 3, 1959, P.L. 1688 as amended December 5, 1972, P.L. 1259, No. 282 ("Act") and bond indentures provide the authority to invest all PHFA funds. In compliance with the Act and bond indentures, it is the policy of the PHFA to invest in securities that provide suitable returns, preserve principal, meet liquidity needs and to further the mission of the PHFA. The PHFA mitigates its credit risk by limiting investments to those permitted in its deposit and investment policies, diversifying the investment portfolio and prequalifying firms with which PHFA administers its investment activities.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

The PHEAA Board of Directors authorizes the investment guidelines and PHEAA management governs the investments by using the “prudent person” rule. Generally, the PHEAA’s investments are limited to U.S. Government securities, U.S. Government agency securities, federal instrumentalities sponsored by U.S. agencies, high-grade commercial paper, repurchase agreements collateralized by U.S. Treasury obligations, certificates of deposit, banker’s acceptances eligible for purchase by the Federal Reserve System, and other investments approved by the Board of Directors from time to time.

The trust indenture and the Commonwealth Fiscal Code, as amended, authorizes PENNVEST to invest in obligations of the U.S. government and government-sponsored agencies and instrumentalities; certificates of deposits, fully insured or collateralized; certain commercial paper and repurchase agreements, highly rated bank promissory notes or investment of funds or trusts; and “prudent man” investments as determined by PENNVEST’s depository.

The SSHE investment policy is established by board policy and authorizes SSHE to invest in obligations of the U.S. Treasury, repurchase agreements, commercial paper, certificates of deposit, banker’s acceptances, U.S. money market funds, municipal bonds, corporate bonds, collateralized mortgage obligations, asset-backed securities, and internal loan funds.

Investment Type	PTC	PHFA	PHEAA	PENNVEST	SSHE
Asset-backed securities	\$ —	\$ —	\$ —	\$ —	\$ 171,481
Bond mutual funds	—	—	—	—	12,397
Commercial paper	—	—	84,580	—	150,094
Common stock	—	—	—	—	322
Corporate obligations	132,860	—	—	—	177,318
Debt securities	—	—	—	—	2,392
Derivative instruments	(1,159)	—	—	—	—
Equity/balanced mutual funds	—	—	—	—	49,323
GNMA mortgages	580	—	—	—	—
Money market mutual funds	—	—	358,744	—	90,946
Mortgage backed securities	—	49,554	—	—	154,290
Municipal bonds	32,641	—	—	—	—
Securities lending collateral	—	—	—	35,397	—
Commonwealth Investment Program	—	—	550,182	1,459,921	—
U.S. Government and agency obligations	11,316	263,664	—	—	208,424
U.S. Treasury obligations	1,956,254	—	—	—	—
Total investments	2,132,492	313,218	993,506	1,495,318	1,016,987
Certificates of deposit	—	—	—	—	15
Money market funds	—	—	—	—	7,287
Total deposits	\$ —	\$ —	\$ —	\$ —	\$ 7,302
Total investments and deposits	\$ 2,132,492	\$ 313,218	\$ 993,506	\$ 1,495,318	\$ 1,024,289

Note: Total investments by type does not include \$681,401 of investments reported by component units of the SSHE.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the organizations’ investment in a single issuer.

The PTC’s investment policy defines permitted investments along with the following concentration limitations. Investments in any single federal agency are limited to 35% of the portfolio. Investments in certificates of deposit and investment agreements are limited to 30% of the portfolio and combined exposure to commercial paper, corporate bonds, and asset-backed securities, in aggregate, is limited to 35% of the total portfolio. Investments in any single issuer, excluding U.S. Treasury and federal agencies, are limited to 5% of the portfolio.

The PHFA has various maximum investment limits both by the type of investment and by issuer to prevent inappropriate concentration of credit risk.

The PHEAA investment policy does not contain requirements that limit the amount that can be invested in any one issuer.

The PENNVEST participates in the CIP managed by the Commonwealth. The Commonwealth places a 10% limit on the concentration of investments in any one fixed income issuer within the CIP. This limitation excludes government-sponsored enterprises, direct obligations of the U.S. Treasury or U.S. agencies, and repurchase agreements. The Commonwealth also places a 5% limit on the concentration of investments in one equity issuer within the CIP.

The SSHE investment policy contains the following limitations: U.S. Government securities together with repurchase agreements must comprise at least 20% of market value of the fund. Commercial paper investments must be P-1 and P-2 notes only, with no more than 5% and 3%, respectively, of the market value of the fund invested in any single issuer and must not exceed 20% of the market value of the fund. Municipal bonds must carry a long-term debt rating of A or better and may not exceed 20% of the market value of the fund. Corporate bonds may not exceed 20% of the market value of the fund; 15% must carry a long-term debt rating of A or better while 5% may be rated Baa2 or better. Collateralized mortgage obligations must be rated Aaa and guaranteed by the U.S. Government and may not exceed 20% of the market value of the fund. Asset-backed securities must be Aaa rated and the total may not exceed 20% of the market value of the fund, with no more than 5% invested in any single issuer. Investment fund loans may not exceed 20% of the market value of the fund and the loan terms may not exceed five years.

The following concentration existed as of June 30, 2022:

Issuer Name	PHFA
Government National Mortgage Association	\$ 42,599
Tennessee Valley Authority	71,197
Federal Farm Credit Bank	70,637
Federal Home Loan Mortgage Corp	16,720
Federal Home Loan Bank	47,452
Federal National Mortgage Association	42,895
Federal Agricultural	21,699
	<u>\$ 313,199</u>

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Credit Risk: The following table discloses aggregate fair value, by Moody's or Standard and Poor's credit quality rating category, at June 30, 2022 (May 31, 2022 for the PTC):

Moody's Investors Service	PTC	PHFA	PHEAA	PENNVEST	SSHE
Aaa	\$ —	\$ 248,901	\$ —	\$ —	\$ 593,639
Aa	(1,159)	—	—	—	5,505
A	—	—	—	—	160,721
Baa	—	—	—	—	39,299
P1	—	—	—	—	150,094
Moody's Investors Service subtotal	(1,159)	248,901	—	—	949,258
Standard and Poor's					
AAA	54,139	—	358,744	—	—
AA	86,723	—	—	—	—
A	35,907	—	84,580	—	—
Below A	48	—	—	—	—
Standard and Poor's subtotal	176,817	—	443,324	—	—
Rated Subtotal	175,658	248,901	443,324	—	949,258
Unrated					
Bond mutual funds	—	—	—	—	12,397
Debt securities	—	—	—	—	30
Mortgage backed securities	—	39,531	—	—	—
Commonwealth Investment Program	—	—	550,182	1,459,921	—
U.S. Government agency obligations	580	24,786	—	—	5,657
U.S. Treasury obligations	1,956,254	—	—	—	—
Unrated subtotal	1,956,834	64,317	550,182	1,459,921	18,084
Total Fixed income investments	2,132,492	313,218	993,506	1,459,921	967,342
Variable income investments					
Equity/balanced mutual funds	—	—	—	—	49,323
Common stock	—	—	—	—	322
Variable income investments subtotal	—	—	—	—	49,645
Total investments	\$ 2,132,492	\$ 313,218	\$ 993,506	\$ 1,459,921	\$ 1,016,987

Note: Total investments do not include \$681,401 reported by component units of the SSHE or PENNVEST securities lending collateral of \$35,397.

U.S. Government agency obligations include all securities issued by the U.S. Treasury, U.S. Government agencies, and U.S. Government Sponsored Enterprises. These include securities that are both explicitly and implicitly guaranteed by the full faith and credit of the U.S. Government. Many of these securities are not usually rated by a NRSRO and have an implied rating of Aaa/AAA.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Interest Rate Risk: Interest rate risk is managed using different techniques: weighted average maturity, maximum maturity dates, effective duration, modified duration or operational cash needs. The following table discloses option-adjusted duration (in years) by investment type for the fixed income portfolio of the PTC at May 31, 2022 and the SSHE at June 30, 2022:

Investment Type	PTC		SSHE		
	Amount	Option-Adjusted Duration	Amount	Option-Adjusted Duration	Securities with no Duration
Asset backed securities	\$ —	—	\$ 171,481	0.57	\$ —
Bond mutual funds	—	—	12,397	2.21	—
Certificates of deposit	—	—	—	—	15
Commercial paper	—	—	150,094	0.13	—
Corporate obligations	132,860	2.03	177,318	1.87	—
Debt securities	—	—	2,392	6.37	—
GNMA mortgages	580	4.09	—	—	—
Money market mutual funds	—	—	—	—	90,946
Mortgage-backed securities	—	—	154,290	1.82	—
Municipal bonds	32,641	1.90	—	—	—
U.S. Government agency obligations	11,316	1.27	208,424	0.72	—
U.S. Treasury obligations	1,956,254	1.61	—	—	—
Total	\$ 2,133,651		\$ 876,396		\$ 90,961

The PHFA and PHEAA do not use option-adjusted duration as a means of managing interest rate risk; the following provides segmented time distribution for those organizations at June 30, 2022:

Investment Type	PHFA			
	Matures in less than 1 year	Matures in 1 to 10 years	Matures in more than 10 years	Total
Mortgage-backed securities	\$ —	\$ 9,996	\$ 39,557	\$ 49,553
U.S. Government agency obligations	10	94,796	168,859	263,665
Total	\$ 10	\$ 104,792	\$ 208,416	\$ 313,218

Investment Type	PHEAA			
	Matures in less than 1 year	Matures in 1 to 10 years	Matures in more than 10 years	Total
Commercial paper	\$ 84,580	\$ —	\$ —	\$ 84,580
Money market mutual funds	358,744	—	—	358,744
Commonwealth Investment Program	550,182	—	—	550,182
Total	\$ 993,506	\$ —	\$ —	\$ 993,506

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Derivative Instruments

As of May 31, 2022, the PTC in its separately-issued financial statements reported noncurrent hedging derivative instrument liabilities of \$(14,646) which were offset by reported deferred outflow of resources of \$38,424. Changes in the net fair value of the hedging derivative instruments during the fiscal year ended May 31, 2022 \$126,016 were deferred.

As of June 30, 2022, the PHFA, in its separately-issued financial statements, reported a noncurrent hedging derivative instrument asset of \$5,990 and a noncurrent hedging derivative instrument liability of \$3,558. An accumulated decrease in fair value of hedging derivatives of \$1,513 and an accumulated increase in fair value of hedging derivatives of \$7,251 were deferred.

Further information regarding the nature and notional value of the hedging and investment derivative instruments of the PTC (as of May 31, 2022) and the PHFA (as of June 30, 2022) are available within their separately audited and issued financial statements.

Loans Receivable

Loans receivable at June 30, 2022 consisted of the following:

	<u>PHFA</u>	<u>PHEAA</u>	<u>PENNVEST</u>
Mortgage loans	\$ 4,253,555	\$ —	\$ —
Student loans	—	2,613,643	—
Drinking water, storm water and sewer system loans	—	—	2,666,952
Subtotal	<u>4,253,555</u>	<u>2,613,643</u>	<u>2,666,952</u>
Less: allowance for uncollectible amounts	148,525	6,390	23,463
Loans receivable, net	<u><u>\$ 4,105,030</u></u>	<u><u>\$ 2,607,253</u></u>	<u><u>\$ 2,643,489</u></u>

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Capital Assets

A summary of capital assets by category at May 31, 2022 for PTC and June 30, 2022 for SSHE is as follows:

PTC	Balance May 31, 2021	Increases	Decreases	Balance May 31, 2022
Non-depreciable capital assets:				
Land and intangibles	\$ 442,257	\$ 18,651	\$ —	\$ 460,908
Construction in progress	2,288,309	547,051	1,465,598	1,369,762
Subtotal	2,730,566	565,702	1,465,598	1,830,670
Depreciable capital assets:				
Buildings	987,325	47,033	—	1,034,358
Improvements other than buildings	160,973	28,662	38	189,597
Equipment	581,800	51,265	6,495	626,570
Infrastructure	8,964,668	1,351,182	208,840	10,107,010
Subtotal	10,694,766	1,478,142	215,373	11,957,535
Accumulated depreciation:				
Buildings	482,206	24,479	—	506,685
Improvements other than buildings	96,473	8,112	38	104,547
Equipment	452,419	34,795	6,138	481,076
Infrastructure	5,718,188	363,809	157,282	5,924,715
Total accumulated depreciation	6,749,286	431,195	163,458	7,017,023
Total capital assets being depreciated, net	3,945,480	1,046,947	51,915	4,940,512
Total capital assets	\$ 6,676,046	\$ 1,612,649	\$ 1,517,513	\$ 6,771,182
SSHE				
	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Non-depreciable capital assets:				
Land and intangibles	\$ 35,163	\$ —	\$ 906	\$ 34,257
Construction in progress	143,646	59,128	20,966	181,808
Subtotal	178,809	59,128	21,872	216,065
Depreciable capital assets:				
Buildings	3,203,943	10,660	27,241	3,187,362
Improvements other than buildings	347,685	4,378	565	351,498
Equipment	545,343	18,235	11,350	552,228
Library books	71,483	395	1,651	70,227
Right-of-use-assets	87,668	11,040	1,639	97,069
Subtotal	4,256,122	44,708	42,446	4,258,384
Accumulated depreciation:				
Buildings	1,341,008	113,701	32,904	1,421,805
Improvements other than buildings	188,430	11,651	1,546	198,535
Equipment	472,161	24,165	11,801	484,525
Library books	68,034	810	1,651	67,193
Right-of-use-assets	56,176	9,765	1,319	64,622
Total accumulated depreciation	2,125,809	160,092	49,221	2,236,680
Total capital assets being depreciated, net	2,130,313	(115,384)	(6,775)	2,021,704
Total capital assets	\$ 2,309,122	\$ (56,256)	\$ 15,097	\$ 2,237,769

Note: SSHE June 30, 2021 balances have been restated for the implementation of GASB No. 87. Capital assets do not include \$540,958 and \$559,535 reported by the component units of the SSHE as of June 30, 2022 and 2021, respectively.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Service Concession Arrangements

There are 17 service plazas along the Turnpike System providing gasoline and diesel fuel, other automotive supplies and services, and restaurant services. The PTC has entered into long-term service plaza redevelopment agreements with HMSHost Restaurants, LLC and Sunoco Retail LLC to design, reconstruct, finance, operate and maintain all of the service plazas. During fiscal year 2018, the agreement with Sunoco Retail LLC was assigned to 7-Eleven, Inc. All terms of the contract remained the same. The PTC has no responsibility for maintaining the service plazas under the agreements. The PTC maintains the ability to approve and/or modify the services that the operators can provide and the rates that can be charged. The service plaza operators are compensated by the users of the services and share a portion of that revenue with the PTC as rental payments. Upon completion of construction, the reconstructed assets are recognized by the PTC.

The current contracts with Applegreen USA Family Restaurants, LLC (formerly HMSHost Restaurants, LLC) expires on August 25, 2036. On July 23, 2021, the PTC approved an executed a Consent to Transfer of Lease Agreement regarding the transfer of HMSHost Corporation's U.S. motorway business to Applegreen USA Welcome Centers, LLC, a consortium of Applegreen Ltd. and Blackstone Infrastructure Partners. HMSHost Family Restaurants, LLC underwent a formal name change to Applegreen USA Family Restaurants, LLC and remains the Lessee under the service plaza agreements and continues to support the day-to-day operations. Applegreen began operating the service plazas in July 2021.

The contract with 7-Eleven, Inc. was set to expire on January 31, 2022. 7-Eleven's lease states it can be extended for three additional five-year periods. The first extension shall be at the discretion of 7-Eleven Inc., and the second and third extensions shall be mutually agreed to by both parties. On September 21, 2021, the PTC approved an amendment to the lease agreement with 7-Eleven Inc. to exercise its option to renew the service plaza lease agreement for an additional five years. The amendment was approved by the PA Attorney General's office on October 6, 2021. Due to this extension, the guaranteed minimum rent net present value calculation was modified to include the additional future amounts expected.

As of May 31, 2022, the PTC had capitalized \$125,400 in capital assets representing all 17 service plazas that had fully completed construction and recorded deferred inflows of resources of \$68,400 related to these assets. Also, as of May 31, 2022, the PTC recognized a receivable and deferred inflow of resources in the amount of \$27,600 for the present value of guaranteed minimum rent payments. As of May 31, 2022, all deferred percentage rent payments had been received.

Student loan auction rate security bonds payable, notes payable and other financing obligations

Prior to the fiscal year ended June 30, 2022, PENNVEST issued short-term obligations to finance the issuance of loans to program participants. These obligations are issued in the form of commercial paper, and bear interest, which is due upon maturity. During the fiscal year ended June 30, 2022, PENNVEST issued no new short-term obligations. Interest rates on the instruments ranged from 0.11% to 0.12% with no maturity being greater than 120 days. As of June 30, 2022, \$0 in obligations remained outstanding. A schedule of changes in the short-term obligations follows:

	Balance			Balance
	July 1, 2021	Additions	Reductions	June 30, 2022
Notes payable	\$ 30,356	\$ —	\$ 30,356	\$ —

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

The PHEAA has reported \$4,200 of auction rate security bonds payable, \$194,013 of revenue bonds, \$2,432,723 of notes payable (consisting of student loan financings of \$188,140 and student loan floating rate notes of \$2,244,583), and \$13,349 of other financings (consisting of lease obligations of \$6,061, a financed purchase agreement of \$1,008 and term financings of \$6,280) at June 30, 2022 as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Bonds payable:				
Student loan auction rate security bonds, due 2042, at interest rates of 1.43 % as of June 30, 2022 and 2021	\$ 5,450	\$ —	\$ (1,250)	\$ 4,200
Education loan revenue bonds, due 2025-2049 at fixed interest rates of 2.45%-5.00%	109,175	82,600	(6,365)	185,410
Add: premium on education loan revenue bonds	7,452	1,293	(142)	8,603
Subtotal	116,627	83,893	(6,507)	194,013
Total bonds payable	\$ 122,077	\$ 83,893	\$ (7,757)	\$ 198,213
Notes payable:				
Student loan floating rate notes, due 2028-2070 at weighted average rates of 1.72 % as of June 30, 2022 and 0.81 % as of June 30, 2021	\$ 2,084,695	\$ 665,400	\$ (501,851)	\$ 2,248,244
Less: discount on student loan floating rate notes	(1,285)	—	411	(874)
Less: call premium on student loan floating rate notes	(3,377)	—	590	(2,787)
Subtotal	2,080,033	665,400	(500,850)	2,244,583
Student loan financings warehouse facilities, due 2022, at an interest rate of 1.40%	548,279	—	(548,279)	—
Student loan financings, due on demand, at weighted-average interest rates of 2.37 % as of June 30, 2022 and 0.84 % as of June 30, 2021	174,040	129,000	(114,900)	188,140
Total notes payable	\$ 2,802,352	\$ 794,400	\$ (1,164,029)	\$ 2,432,723
Other financings:				
Lease obligations, due in monthly installments through 2026, at fixed interest rates of 0.35% to 8.94%	4,469	3,480	(1,888)	6,061
Financed purchase agreement, due 2024 at 0% interest	\$ 1,568	\$ 5,528	\$ (6,088)	\$ 1,008
Term financings, due 2029, at 0% interest	6,280	—	—	6,280
Total other financings	\$ 12,317	\$ 9,008	\$ (7,976)	\$ 13,349

The note and bond indentures, among other things, require the PHEAA to comply with various covenants. Student loans and investments collateralize all student loan financings. As of June 30, 2022, \$2,700,000 of student loan principal and related interest receivable and \$288,400 of cash equivalents collateralized the \$2,600,000 of student loan financings.

The student loan financings and other financings are non-recourse obligations to the PHEAA's unrestricted net position and to the Commonwealth, except for the \$188,140 of student loan financings, which are recourse obligations to PHEAA.

PHEAA has four lines of credit that had a total outstanding balance of \$188,100 as of June 30, 2022. The lines of credit had a total unused balance of \$261,900 as of June 30, 2022.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

The PHEAA reported debt service requirements subsequent to June 30, 2022, based upon stated maturities for student loan bonds and estimated interest payments for variable-rate debt after considering terms renegotiated after June 30, 2022 are as follows:

Year of maturity	Student Loan Bonds and Notes		Other Financing Obligations	
	Principal	Interest	Principal	Interest
2023	\$ 188,140	\$ 60,649	\$ 4,743	\$ 132
2024	—	58,142	2,626	84
2025	1,500	58,136	613	48
2026	6,400	58,041	607	23
2027	7,200	57,718	230	2
2028-32	67,926	278,638	4,530	—
2033-37	200,347	270,216	—	—
2038-42	550,308	247,744	—	—
2043-47	426,576	151,598	—	—
2048-52	13,400	138,630	—	—
2053-57	67,415	137,586	—	—
2058-62	—	130,408	—	—
2063-67	330,089	115,187	—	—
2068-70	766,693	41,393	—	—
Total	\$ 2,625,994	\$ 1,804,086	\$ 13,349	\$ 289

Reported as:

Student loan auction rate security bonds payable	\$ 4,200	\$ —
Education loan revenue bonds payable	194,013	—
Premium on revenue bonds payable	(8,603)	—
Notes payable - current	188,140	—
Notes payable - noncurrent	2,244,583	—
Discount on student loan floating rate notes	874	—
Call premium on student loan floating rate notes	2,787	—
Other financing obligations, current	—	4,743
Other financing obligations, noncurrent	—	8,606
Total principal	\$ 2,625,994	\$ 13,349

Other than the education loan revenue bonds, the student loan financings PHEAA reported are variable-rate debt, which have interest rates that reset on various dates. As of June 30, 2022, interest rates on \$4,200 reset based upon auctions every 28 days, \$2,400,000 was indexed to the one-month or three-month LIBOR (London interbank offered rate).

The PHEAA reported current notes payable of \$188,140 at June 30, 2022. Also, the PHEAA reported noncurrent notes payable of \$2,244,583 at June 30, 2022.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Long-Term Obligations

Significant revenue bond obligations of the PTC (as of May 31, 2022) and the PHFA (as of June 30, 2022), changes during the fiscal year and annual principal and interest payments for long-term debt outstanding are as follows:

REVENUE BONDS PAYABLE & DIRECT PLACEMENTS AND BORROWINGS	Issue Dates	Interest Rates	Maturity Dates Through	Balance June 1, 2021	Additions	Reductions	Balance May 31, 2022
PTC.....	2005-22	various	2053	\$ 13,833,844	\$ 1,599,171	\$ 526,955	\$ 14,906,060
Less: unamortized bond discount				(321)	—	(14)	(307)
Add: unamortized bond premium				1,263,232	355,115	73,347	1,545,000
Add: direct placements and borrowings				706,775	291,850	291,850	706,775
TOTAL				<u>\$ 15,803,530</u>	<u>\$ 2,246,136</u>	<u>\$ 892,138</u>	<u>\$ 17,157,528</u>

Year of Maturity	Bonds			Direct Placements and Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2023.....	\$ 263,740	\$ 680,499	\$ 944,239	\$ 50,000	\$ 11,243	\$ 61,243
2024.....	478,455	666,575	1,145,030	45,000	9,987	54,987
2025.....	309,365	652,832	962,197	88,500	9,160	97,660
2026.....	337,979	642,834	980,813	—	7,350	7,350
2027.....	376,145	622,692	998,837	—	7,350	7,350
2028-32.....	2,107,906	2,880,629	4,988,535	16,760	36,549	53,309
2033-37.....	2,978,300	2,263,884	5,242,184	114,030	30,697	144,727
2038-42.....	3,625,776	1,591,667	5,217,443	392,485	14,625	407,110
2043-47.....	2,937,239	738,663	3,675,902	—	—	—
2048-52.....	1,436,155	161,124	1,597,279	—	—	—
2053-57.....	55,000	3,322	58,322	—	—	—
Total	<u>\$14,906,060</u>	<u>\$10,904,721</u>	<u>\$25,810,781</u>	<u>\$ 706,775</u>	<u>\$ 126,961</u>	<u>\$ 833,736</u>

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

REVENUE BONDS & NOTES PAYABLE	Issue Dates	Interest Rates	Maturity Dates Through	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
PHFA	2004-2022	various	2052	\$ 3,132,682	\$1,141,585	\$ 616,781	\$ 3,657,486
Add: unamortized bond premium				47,217	53,587	11,271	89,533
TOTAL				<u>\$ 3,179,899</u>	<u>\$1,195,172</u>	<u>\$ 628,052</u>	<u>\$ 3,747,019</u>

Year of Maturity	Principal	Interest	Total
2023	\$ 133,502	\$ 107,034	\$ 240,536
2024	135,709	105,736	241,445
2025	134,983	101,877	236,860
2026	150,406	97,566	247,972
2027	153,887	92,670	246,557
2028-32	727,219	391,958	1,119,177
2033-37	671,569	283,198	954,767
2038-42	578,440	193,601	772,041
2043-47	513,875	112,920	626,795
2048-52	433,715	36,937	470,652
2053-57	24,181	462	24,643
Total	<u>\$ 3,657,486</u>	<u>\$ 1,523,959</u>	<u>\$ 5,181,445</u>

The table below presents significant bond obligations of SSHE at June 30, 2022 and changes during the fiscal year then ended, followed by principal and interest payments for long-term debt outstanding.

BONDS PAYABLE	Issue Dates	Interest Rates	Maturity Dates Through	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
SSHE	2008-21	various	2055	\$ 2,023,380	\$ —	\$ 112,480	\$ 1,910,900

Year of Maturity	Principal	Interest	Total
2023	\$ 116,105	\$ 60,256	\$ 176,361
2024	121,860	56,673	178,533
2025	99,125	52,676	151,801
2026	99,250	49,650	148,900
2027	104,670	46,622	151,292
2028-32	507,750	184,396	692,146
2033-37	461,005	109,577	570,582
2038-42	326,735	42,692	369,427
2043-47	69,000	6,469	75,469
2048-52	3,340	1,032	4,372
2053-57	2,060	192	2,252
Total	<u>\$ 1,910,900</u>	<u>\$ 610,235</u>	<u>\$ 2,521,135</u>

Note: The total principal obligations outstanding do not include \$785,663 in bonds and notes payable reported by component units of the SSHE.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**Conduit Debt**

The PHFA is financing a portion of housing projects through the issuance of special limited obligation multifamily housing development bonds for the construction or preservation of affordable multifamily housing in the Commonwealth. The bonds are secured by the properties financed and are payable from income generated by the properties. At June 30, 2022, the PHFA had \$659,806 of such bonds outstanding. Neither the PHFA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds payable are reported in the accompanying financial statements.

The State Public School Building Authority (SPSBA) finances construction and improvement projects for public schools through the issuance of tax-exempt instruments (bonds, notes or other obligations) for the purpose of making lower cost tax-exempt financing available to school districts and community colleges. The debt instruments issued by SPSBA represent limited obligations payable solely from payments made by the related borrowing institutions and related assets held by trustees. At June 30, 2022, the SPSBA had \$2,270,251 of debt outstanding. Neither the SPSBA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds are reported in the accompanying financial statements.

The Pennsylvania Higher Educational Facilities Authority (PHEFA) finances projects through the issuance of tax-exempt instruments (bonds, notes or other obligations) to provide a source of tax-exempt financing for colleges and universities. The debt instruments issued by the PHEFA represent limited obligations payable solely from payments made by the related borrowing institutions and related assets held by the trustees. At June 30, 2022, the PHEFA had \$5,310,406 of debt outstanding. Neither the PHEFA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds are reported in the accompanying financial statements.

The Pennsylvania Economic Development Financing Authority (PEDFA) finances projects on behalf of local industrial and commercial development authorities to promote economic growth within the Commonwealth. Revenue bonds issued by the PEDFA represent limited obligations payable solely from PEDFA financed project revenues. At June 30, 2022, the PEDFA had \$6,109,442 of debt outstanding of which \$5,815,232 represented conduit debt. Neither the PEDFA nor the Commonwealth has any obligation for this conduit debt. Therefore, neither the financed assets nor the bonds are reported in the accompanying financial statements.

Refunded Debt**PTC**

In July 2021, the PTC issued \$385,800 of 2021 Series B Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2051. The 2021 Series B Senior Revenue Bonds were issued to refund a portion of the 2014 Series B-1 Senior Revenue Bonds (\$150,000), 2018 Series A-1 Senior Revenue Bonds (\$39,710), 2018 Series B Senior Revenue Bonds (\$70,000), to finance the cost of various capital expenditures set forth in the PTC's ten year capital plan, including but not limited to the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or rehabilitation of certain interchanges and for paying the costs of issuing the 2021 Series B Senior Revenue Bonds.

In November 2021, the PTC issued \$275,000 of 2021 Series C Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2051. The 2021 Series C Senior Revenue Bonds were primarily issued to refund a portion of the 2011 Series A Senior Revenue Bonds (\$8,445), to finance the cost of various capital expenditures set forth in the PTC's ten-year capital plan, including but not limited to the reconstruction of roadbed and roadway, the widening replacing and redecking of certain bridges and/or rehabilitation of certain interchanges and for paying the costs of issuing the 2021 C Senior Revenue Bonds. The current refunding of the 2011 Series A Senior Revenue Bonds allowed the PTC to reduce its debt service by approximately \$700. The transaction resulted in an economic gain of \$600.

In April 2022, the PTC issued, as a Direct Placement, \$291,850 of 2022 First Series Subordinate Revenue Refunding Bonds at a variable rate with a maturity of December 1, 2041. The 2022 First Series Subordinate Revenue Refunding Bonds were primarily issued to refund the 2017 First Series Subordinate Revenue Refunding Bonds and for paying the costs of issuing the 2022 First Series Subordinate Revenue Refunding Bonds.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

PHFA

On July 6, 2021 the PHFA issued Series 2021-135B single family mortgage revenue bonds in the amount of \$38,895. A portion of the proceeds of this issuance and a PHFA contribution were used to refund \$46,142 of Series 2012-114A bonds. This refunding resulted in an economic gain (the difference between the present value of the old and new debt service payments) equal to \$2,590 and a reduction of future debt service payments equal to \$1,497.

On September 21, 2021 the PHFA issued Series 2021-136 single family mortgage revenue bonds in the amount of \$294,750. A portion of the proceeds of this issuance and a PHFA contribution were used to refund \$88,700 of Series 2012-114C bonds. This refunding resulted in an economic gain (the difference between the present value of the old and new debt service payments) equal to \$20,699 and a reduction of future debt service payments equal to \$28,633.

Net Pension Liability and Pension Expense

The PTC, PHEAA, PENNVEST and SSHE all have employees that are members of the Pennsylvania State Employees Retirement System (SERS). The SSHE is also a member of the Public School Employees Retirement System (PSERS). For the fiscal year ended June 30, 2022 (May 31, 2022 for the PTC), these entities reported a net pension liability, proportionate share percentage and pension expense as follows:

SERS

Fiscal year ended June 30, 2022	PTC (May 31, 2022)	PHEAA	PENNVEST	SSHE
Net pension liability	\$ 219,303	\$ 236,320	\$ 6,450	\$ 608,705
Proportionate share percentage	1.51 %	1.62 %	0.04 %	4.18 %
Pension (expense) income	\$ 1,100	\$ 11,224	\$ (732)	\$ (20,302)

PSERS

Fiscal year ended June 30, 2022	SSHE
Net pension liability	\$ 72,958
Proportionate share percentage	0.18 %
Pension (expense) income	\$ (8,639)

The PHFA’s full time employees participate in two defined benefit single employer plans. For the fiscal year ended June 30, 2022, the PHFA reported a net pension liability of \$13,012 and a pension expense of \$1,635.

Other Postemployment Benefits (OPEB)

Each DPCU with employees participates in the Commonwealth’s Retired Employees Health Program (REHP) except for the PTC and the PHFA, which have both established and sponsor their own, separate OPEB plans. The SSHE participates in the REHP, for certain employees, as well as its own, separate SSHE OPEB plan. All separate, non-REHP plans, have been established under pertinent statutory authority. All DPCUs implemented GASB 75, Accounting and Financial Reporting for Postemployment Retirement Benefits Other Than Pensions. The net OPEB liability is reported for the PTC (May 31, 2022), PHFA, PHEAA, PENNVEST and SSHE at June 30, 2022 as follows:

As of and for the fiscal year ended June 30, 2022	PTC (May 31, 2022)	PHFA	PHEAA	PENNVEST	SSHE
Net OPEB liability	\$ (150,224)	\$ 127,057	\$ 227,650	\$ 4,489	\$ 1,810,102
OPEB (expense) income	\$ 12,600	\$ 9,609	\$ 27,100	\$ (62)	\$ (74,799)

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**Commitments and Contingencies****PTC**

The PTC Commitment to the PG: In July 2007, Act 44 was signed into law and, among other things, provides funding for roads, bridges and transit throughout the Commonwealth. Under Act 44, the PTC and the Pennsylvania Department of Transportation (PennDOT) established a 50-year Lease and Funding Agreement (Agreement). Act 44 and the Agreement require the PTC to make scheduled quarterly payments to the PennDOT. Subsequently, in April 2014, the PTC and PennDOT executed Amendment Number One to the aforementioned Lease and Funding Agreement in accordance with Act 89 of November 2013. In accordance with Act 89 and the Amended Funding Agreement, the PTC's aggregate annual payment to PennDOT for fiscal year 2014 through fiscal year 2022 remains at \$450,000 and at 2023 through the term of the Amended Funding Agreement, the PTC's aggregate annual payment to PennDOT is \$50,000, which must be paid from current revenues. Through June 30, 2022 the PTC has paid PennDOT \$7,900,000; the **Motor License Fund** received \$2,250,000 and the Public Transportation Trust Fund received \$5,650,000.

Act 44 authorizes the PTC to issue special revenue bonds up to an aggregate principal amount of \$5,000,000. No more than \$600,000 in aggregate principal amount of such Special Revenue Bonds, exclusive of original issue discount, may be issued in any calendar year. No such bonds may be issued unless the Amended Funding Agreement is in effect, and no such bonds may be outstanding beyond the stated term of the Amended Funding Agreement at the time of issuance. Special Revenue Refunding Bonds (as defined in § 9511.2 of Act 44) shall not be deemed to count against the total or annual maximum issuance volume under Act 44. Pursuant to Act 89, Special Revenue Bonds may not be issued by the Commission to fund any portion of its annual payment obligation commencing July 1, 2014, as all of such annual payment obligation is to be deposited in the Public Transportation Trust Fund after such date, although Special Revenue Refunding Bonds could be issued. The outstanding principal related to these Special Revenue Bonds was \$991,710 at May 31, 2022.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Deferred Outflows and Inflows of Resources

The following table discloses the deferred outflows of resources and deferred inflows of resources at June 30, 2022 (May 31, 2022 for the PTC):

Deferred Outflows of Resources	PTC	PHFA	PHEAA	PENNVEST	SSHE
Hedge derivative instruments	\$ 38,424	\$ 1,513	\$ —	\$ —	\$ —
Pensions					
Difference between expected and actual experience	1,448	5,935	1,561	43	4,073
Changes in proportions	—	—	—	875	1,030
Changes in assumptions	22,571	1,639	24,322	664	66,188
Difference between employer contributions and proportionate share of total contributions	834	—	4,218	21	2,958
Contributions after the measurement date	14,776	1,998	19,489	452	59,792
OPEB					
Difference between expected and actual experience	4,243	7,844	188	4	378
Net difference between projected and actual investment earnings	—	—	—	—	8
Changes in proportions	—	—	37,465	951	12,993
Changes in assumptions	32,647	17,067	27,727	547	225,498
Contributions after the measurement date	13,746	2,287	3,732	203	36,897
Deferred loss on bond refundings	254,237	—	1,385	—	5,064
Total	\$ 382,926	\$ 38,283	\$ 120,087	\$ 3,760	\$ 414,879
Deferred Inflows of Resources					
Deferred gain on bond refundings	\$ 11,364	\$ 325	\$ —	\$ —	\$ 2,655
Hedge derivative instruments	53,070	7,251	—	—	—
Split-interest agreements	—	—	—	—	9
Pensions					
Difference between expected and actual experience	1,262	174	1,360	37	4,463
Net difference between projected and actual investment earnings	63,450	10,447	68,374	1,866	187,726
Changes in proportions	43,346	—	69,322	4	90,218
Changes in assumptions	—	1,377	—	—	—
Difference between employer contributions and proportionate share of total contributions	1,271	—	—	15	1,351
OPEB					
Difference between expected and actual experience	69,849	11,073	110,456	2,178	348,620
Net difference between projected and actual investment earnings	50,922	—	2,200	43	3,981
Changes in proportions	—	—	13,161	211	59,139
Changes in assumptions	2,179	5,803	31,929	630	193,072
Difference between employer contributions and proportionate share of total contributions	—	—	—	—	—
Leases	—	—	655	0	12,797
Service concession arrangements	96,037	—	—	—	—
Total	\$ 392,750	\$ 36,450	\$ 297,457	\$ 4,984	\$ 904,031

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**Subsequent Events****PTC**

On June 15, 2022, the PTC executed a new \$200,000 line of credit with PNC Bank, N.A. The PTC secured this line of credit as a continuing liquidity safeguard and because the 2021 Line of Credit expired on June 7, 2022

In August 2022, the PTC received an upgrade to both its Senior and Subordinate credit ratings from Fitch Ratings. Fitch assigned an 'AA-' rating to the 2022 Series A and B Revenue Refunding Bonds. Fitch also upgraded the PTC's outstanding Senior lien bonds to 'AA-' from 'A+' and the Subordinate lien bonds to 'A' from 'A-'. Additionally in August 2022, Moody's revised the PTC's revenue bond outlook to positive from stable and assigned an 'A1' rating to the 2022 Series A and B Revenue Refunding Bonds.

On September 6, 2022, the PTC authorized an amendment to a May 3, 2022 Resolution. The original May 3, 2022 Resolution authorized the approval of the issuance of the PTC's variable- and/or fixed-rate Senior Indenture Bonds or notes, including Bond Anticipation Notes and Subordinate Indenture Bonds or notes including Subordinate Revenue Bonds and Special Revenue Bonds in an aggregate principal amount not to exceed \$1,500,000 in one or more series or sub-series, taxable or tax exempt, for the purpose of financing the costs of currently or advance refunding all or a portion of any Bond Anticipation Notes, other short term Indebtedness, Senior Indenture Bonds or Subordinate Indenture Bonds, including Special Revenue Bonds, previously issued by the PTC, any debt service reserve or similar funds or credit facility costs related to such bonds and issuance of such bonds; authorizing the issuance of any bonds on a Forward Delivery basis; authorizing a Tender and Exchange program with respect to the refunding of any such prior Bonds issued to the PTC. The September 6, 2022 amendment to the May 2, 2022 Resolution authorized the approval of the PTC to also issue Senior Revenue Bonds to finance the costs of various capital expenditures and funding interest on Senior Revenue Bonds or certain other Bonds, authorize the defeasance of a portion of any prior Bonds with available moneys not to exceed \$3,000,000, and a correct the names of the Senior Trustee, the Subordinate Trustee and any escrow agents.

On September 28, 2022, the PTC issued \$254,730 of 2022 Series A Senior Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2041. The 2022 Series A Senior Revenue Refunding Bonds were issued pursuant to the Tender Offer to refund a portion of the 2013 Series C Senior Revenue Bonds (\$23,875), 2014 Series A Senior Revenue Bonds (\$15,295), 2014 Series C Senior Revenue Bonds (\$43,055), 2014 Series Refunding Senior Revenue Bonds (\$140,830), 2015 Series A-1 Senior Revenue Bonds (\$23,475), 2015 Series B Senior Revenue Bonds (\$5,885), 2020 First Series Senior Revenue Bonds (\$21,405) and paying for the costs of issuing the 2022 Series A Senior Revenue Refunding Bonds.

On November 1, 2022, the PTC approved the Bond Resolution authorizing the approval of the issuance of the PTC's variable and/or fixed rate Turnpike Revenue bonds in an aggregate principal amount not to exceed \$300,000 in one or more series or sub-series, taxable or tax-exempt, for the purpose of financing the costs of (a) the refunding of all or a portion of certain outstanding fixed rate and/or variable rate Turnpike Revenue bonds designated by the PTC, including the modification and/or termination of any related swap agreements, if necessary; (b) the funding of any necessary reserves; (c) funding interest, as necessary or convenient, on the bonds; (d) paying the costs of issuing the bonds; and (e) authorizing the execution, delivery and distribution of the following: (1) one or more supplemental trust indentures for the bonds; (2) one or more agreements for the provision of letters of credit, standby bond purchase agreements, other credit facilities or similar forms of credit enhancement and/or reserve fund credit facilities and any related agreements as may be necessary; (3) one or more remarketing agreements as may be necessary; (4) amendments to or terminations of existing interest rate agreements providing for a swap relating to the bonds or providing for modification or termination of the swaps, if any, for the prior bonds; (5) one or more direct placement bond purchase agreements, forward continuing covenant agreements, forward fixed rate lock agreements, forward bond purchase agreements, or similar agreements required by the purchaser of the bonds; (6) escrow deposit agreements as may be necessary; and (7) any other necessary or appropriate documents or certificates.

On December 1, 2022, the PTC issued \$293,840 of 2022 Series B Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2052. The 2022 Series B Senior Revenue Bonds were issued primarily to finance the costs of various capital expenditures set forth in the PTC's current ten-year capital plan, including any amendments thereto, or any prior capital plan including, but not limited to, the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or the rehabilitation of certain interchanges; the costs of the current refunding and defeasance to maturity of all of the PTC's outstanding Turnpike Promissory Note 2018 EB-5 Tranche No. 1 (\$50,000); and the payment of the costs of issuing the 2022 Series B Senior Revenue Bonds.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**PHFA**

The PHFA was appropriated \$150,000 in Act 54 of 2022 for the Development Cost Relief program. The Commonwealth has authorized this program to provide additional funding to affordable housing developments that have been impacted by COVID-19 pandemic and other economic factors. This program is designed to fill funding gaps for developments currently in construction but not yet completed or projects which have not been able to close and start construction due to various disruptions. This funding is secondary and will be used to supplement projects that cannot fill gaps from existing sources such as Housing Trust Fund monies and other grant awards. The PHFA received \$150,000 subsequent to June 30, 2022 to begin operating the program.

In addition, the PHFA was appropriated \$100,000 in Act 54 of 2022 for the Housing Options Grant program. The program shall make grants available for the development of affordable housing units. This funding is secondary and will be used to supplement projects that cannot fill gaps from existing sources such as Housing Trust Fund monies and other grant awards. The PHFA received \$100,000 subsequent to June 30, 2022 to begin operating the program.

On July 14, 2022, the PHFA authorized the issuance of Single Family Mortgage Revenue Bonds, Series 141 and 142 in an amount not to exceed \$500,000 and \$400,000, respectively. Proceeds are for purchasing new single family loans and a portion for refunding certain Single Family Revenue Bonds the PHFA issued previously.

On September 28, 2022, the PHFA sold single family mortgage revenue bonds Series 2022-140 totaling \$303,280. Proceeds will be used to purchase new single family mortgage loans, and to provide down payment assistance loans for persons and families of low and moderate income.

PHEAA

On August 24, 2022, the U.S. Department of Education announced a student loan debt relief plan that included an extension of the student loan repayment pause through December 31, 2022. In addition, the U.S. Department of Education announced it will be providing up to \$20 in debt cancellation for Pell Grant recipients with loans held by the U.S. Department of Education and up to \$10 in debt cancellation for other borrowers. In order to be eligible, borrowers must have an annual income below \$125 for individuals and \$250 for married couples or heads of households. Lastly, the U.S. Department of Education is proposing a rule that will make certain adjustments to income-based repayment plans. Currently, the PHEAA is working with the U.S. Department of Education to obtain further guidance and details on implementation of their three-part plan. The PHEAA continues to evaluate the full impact that the student loan debt relief plan may have on the PHEAA's operations. The debt relief plan could have a materially adverse impact to the PHEAA's cash flows and future revenues from remote servicing and guaranty activities. In addition, the debt relief plan could significantly increase consolidations of (Federal Family Education Loan (FFEL) program loans held by the PHEAA and held by clients whose loans are serviced by the PHEAA. As a result, the PHEAA could see a materially adverse impact to cash flows, interest income and future servicing revenues.

SSHE

On August 11, 2022, the SSHE, on behalf of Indiana University, entered into a master lease agreement with The Foundation for Indiana University of Pennsylvania (FIUP), (a component unit of Indiana), to lease certain student housing facilities. Under the terms of the agreements, the SSHE agreed to make rent payments to FIUP ranging from approximately \$3,300 to \$3,780 each year for a total of approximately \$113,000 over the term thereof, scheduled to end in the fiscal year 2054 unless terminated sooner in accordance with the provision of the agreement.

NOTE 17 - SUBSEQUENT EVENTS**Short-term Debt**

On July 25, 2022, the Commonwealth initiated a Capital Funding Investment Agreement (Investment Agreement) between the Treasury Department's Short-term Investments Pool and the Office of the Budget for \$300,000 and an expiration date of no later than five business days after the date that the Issuing Officials close the Commonwealth's next General Obligation bond sale or November 4, 2022, whichever date comes first. The Investment Agreement is structured as a revolving line of credit, which imposes a 1.9% rate of return, for the payment or reimbursement of statutorily authorized capital projects of the Capital Facilities Fund. On September 23, 2022, the principal of \$300,000 was repaid. Additionally, per the Investment Agreement, the interest calculated of \$906 was repaid long with the principal. The Investment Agreement expired September 29, 2022.

General Obligation Bonds

On September 22, 2022, the Commonwealth issued General Obligation Bonds, First New Money of 2022 in the amount of \$1,000,000. The proceeds of the issuance will be used for the construction, acquisition and major rehabilitation of capital facilities projects.

Budget Stabilization Surplus Transfer

In accordance with Act 24 of 2021, the Secretary of the Budget certified a surplus in the **General Fund** for the 2021-2022 fiscal year. A transfer to the Budget Stabilization Reserve Fund in the amount of \$2,100,000 occurred on September 23, 2022.



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Required Supplementary Information

Commonwealth of Pennsylvania
Schedule of Pension Amounts
Commonwealth's Proportionate Share of the Net Pension Liability
for the Last Ten Fiscal Years Ended June 30 ⁽¹⁾

(Amounts in thousands)	<u>2022</u> ⁽⁵⁾	<u>2021</u> ^{(3) (4)}	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u> ⁽²⁾	<u>2015</u>
SERS as of 12/31								
Commonwealth's portion of the net pension liability	96.84 %	89.03 %	82.82 %	82.57 %	82.48 %	82.44 %	83.05 %	82.94 %
Commonwealth's proportionate share of the net pension liability	\$12,303,402	\$15,335,771	\$15,054,957	\$17,199,452	\$14,261,464	\$15,879,154	\$15,097,007	12,318,240
Commonwealth's covered payroll	\$5,361,591	\$5,314,622	\$5,160,460	\$5,021,603	\$4,859,626	\$4,801,482	\$4,883,069	4,668,334
Commonwealth's proportionate share of the net pension liability as a percentage of its covered payroll	229.47 %	288.56 %	291.74 %	342.51 %	293.47 %	330.71 %	309.17 %	263.87 %
Plan fiduciary net position as a percentage of the total pension liability.....	76.00 %	67.00 %	63.10 %	56.40 %	63.00 %	57.80 %	58.90 %	64.80 %
PSERS as of 6/30								
Non-employer contributing entity								
Commonwealth's proportionate share of the net pension liability	\$ 246,997	\$ 303,115	\$ 287,853	\$ 290,094	\$ 290,651	\$ 291,791	\$ 251,536	\$ 223,083

- The notes to required supplementary information are an integral part of this schedule. -

(1) The Commonwealth adopted GASB 68 on a prospective basis for the fiscal year ended June 30, 2015; therefore, only eight years are presented in the above schedule.

(2) Every five years, the SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The 18th Investigation of Actuarial Experience study for the period 2011 – 2015 was released in March 2016 and can be viewed at www.sers.pa.gov. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and mortality rates). Some assumption adjustments increased projected cost and some decreased projected cost, but the overall result was an increase to the net pension liability.

(3) Every five years, the SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and mortality rates). The 19th Investigation of Actuarial Experience study covering the period 2015-2019 was released and approved by the SERS Board in July 2020 and can be viewed at www.sers.pa.gov.

(4) Act 2019-105 allows eligible employers to make a one-time lump sum payment of their respective unfunded liability. In April 2020, a non-Commonwealth employer submitted a one-time lump sum payment of \$1.06 billion toward its unfunded liability. This lump sum payment reduced the net pension liability for the SERS plan, but exclusively benefits the employer who made the payment. This caused the Commonwealth's portion of the SERS plan's net pension liability to increase significantly.

(5) Act 2019-105 allows eligible employers to make a one-time lump sum payment of their respective unfunded liability. In April 2022, a non-Commonwealth employer submitted a one-time lump sum payment of \$825 million toward its unfunded liability. This lump sum payment reduced the net pension liability for the SERS plan, but exclusively benefits the employer who made the payment. This caused the Commonwealth's portion of the SERS plan's net pension liability to increase significantly.

Commonwealth of Pennsylvania
Schedule of Pension Amounts
Commonwealth's Schedule of Contributions
for the Last Ten Fiscal Years Ended June 30 ⁽¹⁾

(Amounts in thousands)	2022 ⁽²⁾	2021	2020	2019	2018	2017	2016	2015
SERS as of 6/30								
Contractually required contribution.....	\$ 1,838,771	\$ 1,825,640	\$ 1,771,080	\$ 1,700,900	\$ 1,669,819	\$ 1,473,131	\$ 1,222,732	\$ 1,005,654
Contributions in relation to the contractually required contribution.....	(1,838,771)	(1,825,640)	(1,771,080)	(1,706,169)	(1,664,550)	(1,473,131)	(1,222,732)	(1,005,654)
Contribution deficiency (excess).....	—	—	—	(5,269)	5,269	—	—	—
Commonwealth's covered payroll.....	\$ 5,302,220	\$ 5,389,793	\$ 5,206,011	\$ 5,096,774	\$ 4,922,164	\$ 4,831,379	\$ 4,682,957	\$ 4,678,587
Contributions as a percentage of its covered payroll.....	34.68 %	33.87 %	34.02 %	33.48 %	33.82 %	30.49 %	26.11 %	21.49 %
PSERS as of 6/30								
Non-employer								
Contributions to the plan.....	\$ 29,775	\$ 28,532	\$ 28,758	\$ 27,555	\$ 25,642	\$ 22,510	\$ 18,732	\$ 14,994

- The notes to required supplementary information are an integral part of this schedule. -

(1) The Commonwealth adopted GASB 68 on a prospective basis for the fiscal year ended June 30, 2015; therefore, only eight years are presented in the above schedule.

(2) Contributions to the PSERS plan as of June 30, 2022 are based on an accrued estimate, and are revised annually to the Commonwealth's proportionate share of contributions reported by the PSERS.

Commonwealth of Pennsylvania
Schedule of OPEB Amounts
Changes in the Net OPEB Liability and Related Ratios
Retired Employees Health Program (REHP)
For the Last Ten Fiscal Years Ended June 30, ⁽¹⁾

(Amounts in thousands)

REHP						
As of and for the fiscal year ended June 30	2022 ⁽²⁾	2021	2020	2019	2018	2017
Total OPEB liability						
Service cost	\$ 318,669	\$ 473,034	\$ 353,220	\$ 398,501	\$ 527,110	\$ 617,953
Interest	399,778	288,619	384,165	586,939	736,947	633,617
Differences between expected and actual experience	446,115	(1,073,951)	12,936	(5,082,545)	(5,445,495)	—
Changes of assumptions	(1,163,056)	(1,171,069)	1,617,170	403,428	(576,855)	(2,228,187)
Benefit payments	(466,070)	(455,512)	(448,809)	(550,144)	(611,081)	(649,705)
Contributions - retiree	53,031	49,517	48,531	49,179	48,585	52,198
Net change in total OPEB liability	(411,533)	(1,889,362)	1,967,213	(4,194,642)	(5,320,789)	(1,574,124)
Total OPEB liability - beginning	10,899,184	12,788,546	10,821,333	15,015,975	20,336,764	21,910,888
Total OPEB liability - ending (a)	\$ 10,487,651	\$ 10,899,184	\$ 12,788,546	\$ 10,821,333	\$ 15,015,975	\$ 20,336,764
Plan fiduciary net position						
Contributions - employer	\$ 468,157	\$ 451,879	\$ 465,137	\$ 558,876	\$ 591,796	\$ 653,720
Contributions - retiree	53,031	49,517	48,531	49,179	48,585	52,198
Net investment earnings	(95,404)	157,799	2,421	21,283	27,351	31,833
Benefit payments	(466,070)	(455,512)	(448,809)	(550,144)	(611,081)	(649,705)
Administrative expense	(5,363)	(5,807)	(5,707)	(5,562)	(5,232)	(6,213)
Net change in plan fiduciary net position	(45,649)	197,876	61,573	73,632	51,419	81,833
Plan fiduciary net position - beginning	666,929	469,053	407,480	333,848	282,429	200,596
Plan fiduciary net position - ending (b)	\$ 621,280	\$ 666,929	\$ 469,053	\$ 407,480	\$ 333,848	\$ 282,429
Net OPEB liability (a) - (b)	\$ 9,866,371	\$ 10,232,255	\$ 12,319,493	\$ 10,413,853	\$ 14,682,127	\$ 20,054,335
Plan fiduciary net position as a % of total OPEB liability	5.92 %	6.12 %	3.67 %	3.77 %	2.22 %	1.39 %
Covered-employee payroll	\$ 4,188,532	\$ 4,161,481	\$ 4,083,699	\$ 3,992,729	\$ 3,911,464	\$ 3,902,336
Total/Net OPEB liability as a % of covered-employee payroll	235.56 %	245.88 %	301.67 %	260.82 %	375.36 %	513.91 %

- The notes to required supplementary information are an integral part of this schedule. -

(1) The Commonwealth adopted GASB 74 on a prospective basis for the fiscal year ended June 30, 2017; therefore only six years are presented in the above schedule.

(2) For the fiscal year ended June 30, 2022, the discount rate applied for the development of the net OPEB liability was 4.67%. The discount rate is blended based on the long-term expected rate of return on assets held in the OPEB investment pool and the 20-year Bond Buyer GO Index. The investment rate of return used was 6.75% and the inflation rate was 2.50%.

Commonwealth of Pennsylvania
Schedule of OPEB Amounts
Changes in the Net OPEB Liability and Related Ratios

Retired Pennsylvania State Police Program (RPSPP)
For the Last Ten Fiscal Years Ended June 30, ⁽¹⁾

(Amounts in thousands)

RPSPP						
As of and for the fiscal year ended June 30	2022 ⁽²⁾	2021	2020	2019	2018	2017
Total OPEB liability						
Service cost	\$ 257,982	\$ 212,753	\$ 150,941	\$ 145,817	\$ 161,103	\$ 193,336
Interest	184,222	153,410	205,461	234,405	225,601	196,049
Differences between expected and actual experience	(90,929)	494,350	(216,290)	(728,659)	(202,655)	—
Changes of assumptions	(1,808,717)	839,654	1,018,439	296,435	(272,746)	(803,662)
Benefit payments	(156,950)	(161,802)	(138,281)	(143,323)	(140,440)	(123,595)
Contributions - retiree	1,207	1,131	1,137	1,072	1,077	1,143
Net change in total OPEB liability	(1,613,185)	1,539,496	1,021,407	(194,253)	(228,060)	(536,729)
Total OPEB liability - beginning	8,348,248	6,808,752	5,787,345	5,981,598	6,209,658	6,746,387
Total OPEB liability - ending (a)	\$ 6,735,063	\$ 8,348,248	\$ 6,808,752	\$ 5,787,345	\$ 5,981,598	\$ 6,209,658
Plan fiduciary net position						
Contributions - employer	\$ 157,314	\$ 158,772	\$ 142,448	\$ 142,292	\$ 133,813	\$ 122,870
Contributions - retiree	1,207	1,131	1,137	1,072	1,077	1,143
Net investment earnings	(18,891)	34,919	1,058	4,854	8,714	11,133
Benefit payments	(156,950)	(161,802)	(138,281)	(143,323)	(140,440)	(123,595)
Administrative expense	(726)	(661)	(559)	(510)	(473)	(417)
Net change in plan fiduciary net position	(18,046)	32,359	5,803	4,385	2,691	11,134
Plan fiduciary net position - beginning	138,904	106,545	100,742	96,357	93,666	82,532
Plan fiduciary net position - ending (b)	\$ 120,858	\$ 138,904	\$ 106,545	\$ 100,742	\$ 96,357	\$ 93,666
Net OPEB liability (a) - (b)	\$ 6,614,205	\$ 8,209,344	\$ 6,702,207	\$ 5,686,603	\$ 5,885,241	\$ 6,115,992
Plan fiduciary net position as a % of total OPEB liability	1.79 %	1.66 %	1.56 %	1.74 %	1.61 %	1.51 %
Covered-employee payroll	\$ 466,390	\$ 447,926	\$ 426,728	\$ 408,648	\$ 387,245	\$ 386,602
Total/Net OPEB liability as a % of covered-employee payroll	1,418.17 %	1,832.75 %	1,570.60 %	1,391.57 %	1,519.77 %	1,581.99 %

- The notes to required supplementary information are an integral part of this schedule. -

(1) The Commonwealth adopted GASB 74 on a prospective basis for the fiscal year ended June 30, 2017; therefore only six years are presented in the above schedule.

(2) For the fiscal year ended June 30, 2022, the discount rate applied for the development of the net OPEB liability was 3.54%. The discount rate is based on the 20-year Bond Buyer GO Index. The investment rate of return used was 6.75% and the inflation rate was 2.50%.

Commonwealth of Pennsylvania
Schedule of OPEB Amounts
Contributions and Investment Returns
Retired Employees Health Program (REHP)
Retired Pennsylvania State Police Program (RPSPP)
For the Last Ten Fiscal Years Ended June 30, ⁽¹⁾

(Amounts in thousands)

Schedule of Contributions

	2022	2021	2020	2019	2018	2017
REHP						
Contractually required contribution ⁽²⁾	\$ 235,156	\$ 274,020	\$ 459,372	\$ 588,273	\$ 493,288	\$ 734,378
Contributions in relation to the contractually required contribution	(468,157)	(451,879)	(465,137)	(558,876)	(591,796)	(653,720)
Contribution deficiency (excess)	\$ (233,001)	\$ (177,859)	\$ (5,765)	\$ 29,397	\$ (98,508)	\$ 80,658
Covered-employee payroll	\$4,188,532	\$4,161,481	\$4,083,699	\$3,992,729	\$3,911,464	\$3,902,336
Contributions as a % of covered-employee payroll	11.18 %	10.86 %	11.39 %	14.00 %	15.13 %	16.75 %
RPSPP						
Contractually required contribution ⁽²⁾	\$ 151,097	\$ 152,857	\$ 149,434	\$ 144,786	\$ 131,499	\$ 132,201
Contributions in relation to the contractually required contribution	(157,314)	(158,772)	(142,448)	(142,292)	(133,813)	(122,870)
Contribution deficiency (excess)	\$ (6,217)	\$ (5,915)	\$ 6,986	\$ 2,494	\$ (2,314)	\$ 9,331
Covered-employee payroll	\$ 466,390	\$ 447,926	\$ 426,728	\$ 408,648	\$ 387,245	\$ 386,602
Contributions as a % of covered-employee payroll	33.73 %	35.45 %	33.38 %	34.82 %	34.56 %	31.78 %
Premium Assistance Plan						
Non-employer contributing entity						
Contributions to the plan	\$ 690	\$ 722	\$ 705	\$ 701	\$ 677	
Commonwealth's proportionate share of the net OPEB liability	\$ 16,122	\$ 13,260	\$ 13,806	\$ 12,599	\$ 11,990	

Investment Returns

Annual weighted rate of return, net of investment expense ⁽³⁾	2022	2021	2020	2019	2018	2017
REHP	(12.79)%	31.44 %	1.26 %	4.69 %	13.27 %	13.27 %
RPSPP	(12.79)%	31.44 %	1.26 %	4.69 %	13.27 %	13.27 %

- The notes to required supplementary information are an integral part of this schedule. -

(1) The Commonwealth adopted GASB 74 on a prospective basis for the fiscal year ended June 30, 2017; therefore, only six years are presented in the above schedule for REHP and RPSPP. The Commonwealth adopted GASB 75 on a prospective basis for the fiscal year ended June 30, 2018; therefore, only five years are presented in the above schedule for the Premium Assistance Plan.

(2) Contribution requirements for the REHP and RPSPP are determined annually by the Commonwealth based on projected cash flow requirements and a projected contribution toward pre-funding future cash outlays.

(3) The weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts invested.

Commonwealth of Pennsylvania

Schedule of OPEB Amounts

Changes in the Total OPEB Liability and Related Ratios

For the Last Ten Fiscal Years Ended June 30, ⁽¹⁾

(Amounts in thousands)

	2022	2021	2020	2019	2018
Judiciary					
Service cost	\$ 43,932	\$ 38,760	\$ 23,829	\$ 23,134	\$ 22,279
Interest	19,190	20,911	26,715	27,007	25,155
Differences between expected and actual experience	(30,665)	—	(63,125)	—	—
Changes of assumptions	(194,030)	54,642	45,949	36,007	—
Benefit payments	(26,622)	(23,877)	(22,573)	(22,491)	(23,152)
Net changes in total OPEB liability	\$ (188,195)	\$ 90,436	\$ 10,795	\$ 63,657	\$ 24,282
Total OPEB liability - beginning	850,745	760,309	749,514	685,857	661,575
Total OPEB liability - ending	\$ 662,550	\$ 850,745	\$ 760,309	\$ 749,514	\$ 685,857
Covered-employee payroll	\$ 216,994	\$ 212,516	\$ 213,663	\$ 207,871	\$ 205,458
Total/Net OPEB liability as a % of covered-employee payroll	305.33 %	400.32 %	355.84 %	360.57 %	333.82 %
House					
Service cost	\$ 46,752	\$ 28,087	\$ 28,429	\$ 30,547	\$ 32,884
Interest	17,513	20,793	17,974	20,434	16,804
Changes of benefit terms	—	6,140	—	—	—
Differences between expected and actual experience	—	(4,000)	—	(84,654)	—
Changes of assumptions	(64,359)	274,966	(10,332)	5,688	(50,056)
Benefit payments	(23,090)	(20,625)	(19,340)	(19,880)	(18,692)
Net changes in total OPEB liability	\$ (23,184)	\$ 305,361	\$ 16,731	\$ (47,865)	\$ (19,060)
Total OPEB liability - beginning	907,284	601,923	585,192	633,057	652,117
Total OPEB liability - ending	\$ 884,100	\$ 907,284	\$ 601,923	\$ 585,192	\$ 633,057
Covered-employee payroll	\$ 95,126	\$ 95,126	\$ 92,188	\$ 92,188	\$ 92,898
Total/Net OPEB liability as a % of covered-employee payroll	929.40 %	953.77 %	652.93 %	634.78 %	681.45 %

-The notes to required supplementary information are an integral part of this schedule-

(1) The Commonwealth adopted GASB 75 on a prospective basis for the fiscal year ended June 30, 2018; therefore, only five years are presented in the above schedule for Judiciary and House. A trust or equivalent arrangement meeting the requirements of GASB 75 has not been established for the Judiciary or House OPEB plans and assets have not been accumulated to fund OPEB.

Commonwealth of Pennsylvania

Schedule of OPEB Amounts

Changes in the Total OPEB Liability and Related Ratios

For the Last Ten Fiscal Years Ended June 30, ⁽¹⁾

(Amounts in thousands)

	2022	2021	2020	2019	2018
Senate					
Service cost.....	\$ 2,122	\$ 6,175	\$ 5,389	\$ 4,260	\$ 4,116
Interest.....	14,268	7,310	9,670	13,576	13,284
Changes of assumptions.....	(149,486)	24,483	(51,867)	—	—
Benefit payments.....	(8,885)	(9,649)	(9,845)	(8,967)	(9,142)
Net changes in total OPEB liability	\$ (141,981)	\$ 28,319	\$ (46,653)	\$ 8,869	\$ 8,258
Total OPEB liability - beginning	382,900	354,581	401,234	392,365	384,107
Total OPEB liability - ending	<u>\$ 240,919</u>	<u>\$ 382,900</u>	<u>\$ 354,581</u>	<u>\$ 401,234</u>	<u>\$ 392,365</u>
Covered-employee payroll	\$ 55,379	\$ 52,262	\$ 52,262	\$ 48,530	\$ 48,530
Total/Net OPEB liability as a % of covered-employee payroll	435.04 %	732.65 %	678.47 %	826.78 %	808.50 %

-The notes to required supplementary information are an integral part of this schedule-

(1) The Commonwealth adopted GASB 75 on a prospective basis for the fiscal year ended June 30, 2018; therefore, only five years are presented in the above schedule for Senate. A trust or equivalent arrangement meeting the requirements of GASB 75 has not been established for the Senate OPEB plan and assets have not been accumulated to fund OPEB.

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Major Funds
 General Fund
 For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis) ⁽²⁾
REVENUES:					
State Programs:					
Corporation taxes	\$ 5,664,500	\$ 794,300	\$ 6,458,800	\$ 858,183	\$ 7,316,983
Consumption taxes	14,296,500	858,100	15,154,600	236,874	15,391,474
Other taxes	18,046,800	764,400	18,811,200	1,968,987	20,780,187
TOTAL TAX REVENUE	38,007,800	2,416,800	40,424,600	3,064,044	43,488,644
Nontax revenue	4,528,400	5,800	4,534,200	111,376	4,645,576
TOTAL REVENUE STATE	42,536,200	2,422,600	44,958,800	3,175,420	48,134,220
less: Refunds	(1,295,000)	(125,000)	(1,420,000)	—	(1,420,000)
plus: Departmental services	5,712,217	—	5,712,217	130,663	5,842,880
TOTAL STATE PROGRAMS	46,953,417	2,297,600	49,251,017	3,306,083	52,557,100
Federal programs	47,433,161	8,022,438	55,455,599	—	55,455,599
TOTAL REVENUES	94,386,578	10,320,038	104,706,616	3,306,083	108,012,699
EXPENDITURES:					
State programs ⁽¹⁾	44,296,797	766,681	45,063,478	130,663	45,194,141
Federal programs	47,433,161	8,022,438	55,455,599	—	55,455,599
TOTAL EXPENDITURES	91,729,958	8,789,119	100,519,077	130,663	100,649,740
REVENUES OVER/(UNDER) EXPENDITURES	2,656,620	1,530,919	4,187,539	3,175,420	7,362,959
OTHER FINANCING SOURCES (USES):					
Prior year lapses	—	264,132	264,132	5,880	270,012
Transfer to Budget Stabilization Reserve Fund	—	—	—	(2,100,000)	(2,100,000)
TOTAL OTHER FINANCING SOURCES (USES)	—	264,132	264,132	(2,094,120)	(1,829,988)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,656,620	1,795,051	4,451,671	1,081,300	5,532,971
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2021, REVISED	—	4,450	4,450	—	4,450
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2022	\$ 2,656,620	\$ 1,799,501	\$ 4,456,121	\$ 1,081,300	\$ 5,537,421

(1) Current year lapse amount in the Actual (Budgetary Basis) column is already netted out of the state expenditure amount.

(2) The reconciliation from the Actual Budgetary Basis to the Statement of Revenues, Expenditures, and Changes in Net Position is included in Note 3 beginning on page 213.

For Supporting Documentation, please go to www.budget.pa.gov

- The notes to required supplementary information are an integral part of this schedule. -

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Major Funds
 Special Revenue Fund-Motor License
 For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis) ⁽³⁾
REVENUES:					
State Programs:					
Liquid fuels taxes	\$ 1,778,400	\$ 9,600	\$ 1,788,000	\$ (41,030)	\$ 1,746,970
Motor licenses and fees	1,059,900	72,200	1,132,100	(5,525)	1,126,575
Other Motor License Fund revenues ⁽¹⁾	7,700	(600)	7,100	2,740	9,840
TOTAL REVENUE STATE	2,846,000	81,200	2,927,200	(43,815)	2,883,385
plus: Departmental services ⁽¹⁾	126,161	—	126,161	(34,429)	91,732
TOTAL STATE PROGRAMS	2,972,161	81,200	3,053,361	(78,244)	2,975,117
Federal programs	3,440,515	—	3,440,515	(1,340,969)	2,099,546
TOTAL REVENUES	6,412,676	81,200	6,493,876	(1,419,213)	5,074,663
EXPENDITURES:					
State Programs ⁽²⁾	3,005,759	(172,747)	2,833,012	(49,429)	2,783,583
Federal programs	3,440,515	—	3,440,515	(1,340,969)	2,099,546
TOTAL EXPENDITURES	6,446,274	(172,747)	6,273,527	(1,390,398)	4,883,129
REVENUES OVER (UNDER) EXPENDITURES	(33,598)	253,947	220,349	(28,815)	191,534
OTHER FINANCING SOURCES:					
Prior year lapses	—	25,000	25,000	15,391	40,391
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(33,598)	278,947	245,349	(13,424)	231,925
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2021	115,365	—	115,365	—	115,365
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2022	\$ 81,767	\$ 278,947	\$ 360,714	\$ (13,424)	\$ 347,290

(1) Act 44 receipts are included in Other **Motor License Fund** Revenues.

(2) Current year lapse amount in the Actual (Budgetary Basis) column is already netted out of the state expenditure amount.

(3) The reconciliation from the Actual Budgetary Basis to the Statement of Revenues, Expenditures, and Changes in Net Position is included in Note 3 starting on page 213.

For Supporting Documentation, please go to www.budget.pa.gov

- The notes to required supplementary information are an integral part of this schedule. -

Note 1 - Budget Preparation Process

The process of preparing the **General Fund** Budget for the Commonwealth of Pennsylvania begins nearly one year before the new budget is anticipated to be enacted and takes effect on July 1 each year. The budget process begins in August of the year previous to the budget year with the distribution of both the Budget Instructions and Program Policy Guidelines by the Office of the Budget and the Governor's Office, respectively. These provide detailed guidelines and define major policy issues to be considered when agencies complete their budget requests. As required by statute, agencies must prepare budgets that indicate the cost of supporting activities at the level expected in the immediate budget year and the ensuing four budget years. The five-year horizon does not include future program changes but considers the requirements and demands of current law, regulation, policy and program decisions.

Agencies submit budget requests to the Secretary of the Budget beginning in early October. From October through January, the Office of the Budget reviews these requests for accuracy and adherence to policy guidelines and prepares funding recommendations for the Secretary of the Budget and the Governor.

During December, the Governor meets with leaders of the General Assembly to inform them of anticipated spending and revenue levels and to discuss related budgetary issues. The Governor then conducts reviews to make the final budget decisions. The Governor's Executive Budget is finalized in January and is submitted to the General Assembly in early February.

After receiving the budget document, the appropriations committees of both houses of the legislature hold hearings to review agency funding requests. The General Assembly passes the budget in the form of a General Appropriations Bill and individual appropriations bills. At the time of passage of these bills and their presentation to the Governor, the official revised revenue estimates for the budget year are issued. If the combined appropriations bills passed by the legislature exceed the revenue estimates, the Governor is required and has the authority to either veto entire appropriations bills or to reduce the amount of appropriations in order to produce a budget that is in balance. The Governor also has the power to reduce or veto any specific appropriation even if the total appropriations do not exceed estimated revenues. The Governor's signing of the appropriations bills and any revenue bills is the last step in the approval stage of the budget. Additional information regarding Pennsylvania's budgeting process may be located at: www.budget.pa.gov and click on Current and Proposed Commonwealth Budgets.

Note 2 – Basis of Budgeting

On the budgetary basis, certain estimated tax revenue accruals are recorded at fiscal year-end for the **General Fund** and the **Motor License Fund**, a special revenue fund. Accruals include sales and use taxes and personal income taxes, both applicable to the **General Fund**, and liquid fuels taxes applicable to the **Motor License Fund**. These taxes are estimated to be owed to the Commonwealth but are not collected by fiscal year-end. Actual budgetary federal program revenues are recorded in amounts equal to federal expenditures. Also, estimated encumbrances and unspent appropriation balances are available for all funds at fiscal year-end to pay certain direct expenditures for salaries, wages, travel, and utility costs payable against current year appropriation authority but paid in the subsequent year. Over-estimates of prior year encumbrances and available appropriation balances are lapsed in the subsequent year and under-estimates are charged to subsequent year appropriation authority.

Budgeted revenues in the budgetary comparison schedules represent official estimates while expenditures represent amounts originally adopted or legally amended. Actual amounts are presented on the budgetary basis. Because the budgetary basis differs from the modified accrual basis of accounting for governmental funds, a reconciliation of the differences between budgetary basis and the modified accrual basis of reporting is presented.

Note 3 - Reconciliation of Budgetary to GAAP Basis Amounts

The Commonwealth adopts formal annual budgets for two major governmental funds (**General Fund** and **Motor License Fund**, a special revenue fund) and three nonmajor governmental funds (Workmen's Compensation Administration, Banking, and Milk Marketing special revenue funds). The budgetary comparison schedules for budgeted major and nonmajor funds present comparisons of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from governmental fund statement information primarily by the omission of certain revenue and expenditure accruals.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

(amounts in thousands)

The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting for the major budgeted funds:

	General Fund			
	General Fund (Budgeted)	General Fund Components (Nonbudgeted)	Total	Motor License Fund
Budgetary Basis-				
Revenues and other sources over/(under) expenditures and other uses	\$ 5,532,971	\$ —	\$ 5,532,971	\$ 231,925
Adjustments:				
Basis differences				
To adjust revenues, other financing sources and related receivables and unearned revenue	(9,998,013)	—	(9,998,013)	1,852,570
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	12,249,324	—	12,249,324	(1,374,090)
Basis difference adjustments	<u>2,251,311</u>	<u>—</u>	<u>2,251,311</u>	<u>478,480</u>
Perspective differences				
Nonbudgeted statutory funds which are financially reported as part of this fund:				
Revenues	—	628,341	628,341	404
Expenditures	—	1,885,586	1,885,586	(672)
Perspective difference adjustments	<u>—</u>	<u>2,513,927</u>	<u>2,513,927</u>	<u>(268)</u>
Net adjustments	<u>2,251,311</u>	<u>2,513,927</u>	<u>4,765,238</u>	<u>478,212</u>
Modified accrual basis- net change in governmental fund balance .	<u>\$ 7,784,282</u>	<u>\$ 2,513,927</u>	<u>\$ 10,298,209</u>	<u>\$ 710,137</u>

The above revenue adjustments include net revenue accruals and unearned revenue, amounts to recognize certain pass through grants, and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass through grants, and amounts to recognize certain expenditures related to federal and other grants that are not reported for budgetary reporting purposes.

Note 4 – Budgetary Compliance – Legal Level of Budgetary Control

The General Assembly passes, and the Governor approves (or reduces or vetoes), individual appropriations as part of the annual budget adoption process. Budgetary expenditure control occurs at the appropriation level; this is the lowest level of legislative spending control. Encumbrances and expenditures within individual appropriations may not exceed total amounts appropriated plus actual augmentations (certain revenues credited to specific appropriations). Also, appropriation transfers between or within departments and any supplemental appropriations require both legislative and gubernatorial approval. The legislatively adopted budget for the **General Fund** includes a net \$766,681 of appropriation increases approved for the fiscal year ended June 30, 2022.

Due to the volume of appropriations within the **General Fund** and **Motor License Fund**, separately available reports, '**General Fund** Budgetary Comparison Schedule Rationale' and '**Motor License Fund** Budgetary Comparison Schedule Rationale' are available at the Pennsylvania Office of the Budget website: www.budget.pa.gov under Publications and Reports, Annual Financial Report. These reports provide source documentation for the original, final and actual budgetary revenues and expenditures, as well as demonstrate budgetary expenditure compliance by appropriation (the legal level of budgetary control) for the fiscal year ended June 30, 2022.

Three legislatively budgeted non-major special revenue funds are reported in the combining special revenue budgetary comparison schedules. These non-major funds are comprised of fewer individual appropriations, and the budgetary comparison schedules are presented at the legal level of budgetary control. The Governor controls spending by using executive authorizations for special revenue funds not controlled by legislatively adopted budgets. More information on the three non-major special revenue funds budgetary compliance is included with the special revenue funds budgetary comparison schedules.

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Combining Financial Statements

Including
Nonmajor Budgetary Comparison Schedules

Commonwealth of Pennsylvania
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

(Amounts in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS				
Cash	\$ 42,517	\$ —	\$ 2,769	\$ 45,286
Cash with fiscal agents	5,936	—	—	5,936
Temporary investments	5,069,705	18,326	157,530	5,245,561
Long-term investments	2,064,141	—	155,905	2,220,046
Receivables (net):				
Taxes	—	—	32,461	32,461
Accounts	263,553	—	1	263,554
Investment earnings	8,173	30	159	8,362
Investment sale proceeds	3,301	—	—	3,301
Lease rentals	262	—	—	262
Due from other funds	185,397	—	43,549	228,946
Due from pension trust funds	1	—	—	1
Due from component units	9,561	175	—	9,736
Due from Federal Government	43,359	—	—	43,359
Due from political subdivisions	3	—	—	3
Due from other governments	63	—	—	63
Advances to other funds	366,500	—	—	366,500
TOTAL ASSETS	<u>\$ 8,062,472</u>	<u>\$ 18,531</u>	<u>\$ 392,374</u>	<u>\$ 8,473,377</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 323,897	\$ —	\$ 103,674	\$ 427,571
Investment purchases payable	11,858	—	—	11,858
Securities lending obligations	64,227	—	6,506	70,733
Due to other funds	479,909	—	13,988	493,897
Due to component units	5,094	—	—	5,094
Due to pension trust funds	4,122	—	7	4,129
Due to political subdivisions	150,909	—	26,738	177,647
Due to other governments	892	—	3	895
Unearned revenue	80,515	—	—	80,515
Advances from other funds	16,500	—	—	16,500
TOTAL LIABILITIES	<u>1,137,923</u>	<u>—</u>	<u>150,916</u>	<u>1,288,839</u>
Deferred inflows of resources:				
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>176,519</u>	<u>—</u>	<u>—</u>	<u>176,519</u>
Fund balances:				
Restricted	6,660,737	—	—	6,660,737
Committed	101,374	18,531	343,340	463,245
Unassigned deficit	(14,081)	—	(101,882)	(115,963)
TOTAL FUND BALANCES	<u>6,748,030</u>	<u>18,531</u>	<u>241,458</u>	<u>7,008,019</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 8,062,472</u>	<u>\$ 18,531</u>	<u>\$ 392,374</u>	<u>\$ 8,473,377</u>

Commonwealth of Pennsylvania
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Taxes	\$ 3,077,408	\$ —	\$ 434,739	\$ 3,512,147
Licenses and fees	1,430,319	—	—	1,430,319
Intergovernmental	812,333	7,470	—	819,803
Charges for sales and services	622,503	—	40	622,543
Investment earnings	(228,540)	57	(15,103)	(243,586)
Interest on notes and loans	3	—	—	3
Other	249,258	13,357	—	262,615
TOTAL REVENUES	5,963,284	20,884	419,676	6,403,844
EXPENDITURES:				
Current:				
Direction and supportive services	416,436	—	53,636	470,072
Protection of persons and property	981,587	—	750	982,337
Health and human services	698,853	—	—	698,853
Public education	621,630	—	24,151	645,781
Recreation and cultural enrichment	236,991	—	55,760	292,751
Economic development	562,815	—	109,620	672,435
Transportation	1,281,914	—	394,637	1,676,551
Capital outlay	72,032	—	435,719	507,751
Debt service:				
Principal retirement	—	872,021	—	872,021
Interest and fiscal charges	864	470,280	—	471,144
TOTAL EXPENDITURES	4,873,122	1,342,301	1,074,273	7,289,696
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	1,090,162	(1,321,417)	(654,597)	(885,852)
OTHER FINANCING SOURCES (USES):				
Transfers in	443,612	1,304,091	48,470	1,796,173
Transfers out	(600,216)	—	(76,463)	(676,679)
Leases and installment purchases	13,968	—	—	13,968
NET OTHER FINANCING SOURCES (USES)	(142,636)	1,304,091	(27,993)	1,133,462
NET CHANGE IN FUND BALANCES	947,526	(17,326)	(682,590)	247,610
FUND BALANCES, July 1, 2021	5,800,504	35,857	924,048	6,760,409
FUND BALANCES, June 30, 2022	\$ 6,748,030	\$ 18,531	\$ 241,458	\$ 7,008,019

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Special Revenue Funds

Including
Nonmajor Budgetary Comparison Schedules

SPECIAL REVENUE FUNDS
DESCRIPTION
NONMAJOR FUNDS

Account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Banking Fund - to account for the administration of the Department of Banking and Securities and regulation of financial institutions. Revenue is received from fees, assessments, charges, and penalties collected or recovered from persons, firms, corporations, or associations regulated by the Department of Banking and Securities.

Milk Marketing Fund - to account for the operation of the Milk Marketing Board and to serve as a depository for amounts due to dairy farmers from underpayments by dealers. Revenue is received from license fees, fines, penalties, and permits relating to the milk industry.

Workmen's Compensation Administration Fund - to account for the administration of the Pennsylvania Workers' Compensation Act and the Pennsylvania Occupational Disease Act. Insurance companies and self-insured businesses are assessed a periodic fee for costs incurred in administering these acts.

Workers' Compensation Security Fund - to account for the payment of workers' compensation claims to individuals who are insured by an insolvent insurance company and for the costs to administer the program. Funds are derived from an annual assessment on all insurance carriers authorized to transact and provide workers' compensation insurance in the Commonwealth.

Tobacco Settlement Fund - established to deposit all payments received by the Commonwealth pursuant to the Master Settlement Agreement with tobacco product manufacturers. Deposits into this fund include: jurisdictional payments received by the Commonwealth from the Master Settlement Agreement, strategic contribution payments from the Master Settlement Agreement, and earnings from investments. Expenditures from this fund are determined by the annual budget appropriated to each program.

Public Transportation Trust Fund - to provide dedicated funding for public transportation in the Commonwealth. Revenues come from scheduled payments by the Pennsylvania Turnpike Commission, a portion of the Sales and Use Tax, and transfers from the Public Transportation Assistance Fund and the **Lottery Fund**. Monies in this fund are disbursed as grants to public transit agencies for operating costs (including Shared Ride and Free Transit for Older Pennsylvanians), capital and asset improvements, and programs of statewide significance.

Gaming Fund - to account for the administration of the Race Horse Development and Gaming Act and Act 42 of 2017. Revenue is received from license fees, a percentage of the gross terminal revenue generated by licensed gaming facilities, a percentage of gross interactive gaming revenue generated through simulated slot machines and simulated table games, and assessments from licensees for the administration and enforcement of fantasy contests.

Other - to account for programs related to restoration, conservation, protection, and management of natural resources; the payment of prescription drugs for eligible citizens 65 years or older; the preservation of historical landmarks; vocational rehabilitation services; administrative and regulatory activities of various departmental programs; and miscellaneous Commonwealth activities. This "Other" category is an aggregation of 51 individual special revenue funds.

There are a total of 59 individual special revenue funds; the **Motor License Fund** is reported as a Major Fund in the basic financial statements.

Commonwealth of Pennsylvania
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds
June 30, 2022

(Amounts in thousands)

	Budgeted Funds								Total
	Banking	Milk Marketing	Workmen's Compensation Admin.	Workers' Compensation Security	Tobacco Settlement Fund	Public Transportation Trust	Gaming	Other	
ASSETS									
Cash	\$ 26	\$ 409	\$ —	\$ 15	\$ 107	\$ 34,176	\$ 2,795	\$ 4,989	\$ 42,517
Cash with fiscal agents	—	—	—	—	—	—	—	5,936	5,936
Temporary investments	45,037	3,725	99,842	42,698	396,216	1,180,429	1,446,322	1,855,436	5,069,705
Long-term investments	16,707	—	—	713,722	—	339,240	—	994,472	2,064,141
Receivables (net):									
Accounts	11,857	—	3	—	176,254	—	—	75,439	263,553
Investment earnings	37	3	—	3,170	—	1,039	1,217	2,707	8,173
Investment sale proceeds	—	—	—	3,301	—	—	—	—	3,301
Lease rentals	—	—	—	—	—	—	—	262	262
Due from other funds	—	—	64	—	43	113,624	3,137	68,529	185,397
Due from pension trust funds	—	—	—	—	—	—	—	1	1
Due from component units	—	—	—	—	—	—	9,555	6	9,561
Due from Federal Government	—	—	—	—	33,933	—	—	9,426	43,359
Due from political subdivisions	—	—	—	—	—	—	—	3	3
Due from other governments	—	—	—	—	—	—	—	63	63
Advances to other funds	—	—	16,500	350,000	—	—	—	—	366,500
TOTAL ASSETS	\$ 73,664	\$ 4,137	\$ 116,409	\$ 1,112,906	\$ 606,553	\$ 1,668,508	\$ 1,463,026	\$ 3,017,269	\$ 8,062,472
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued liabilities	\$ 1,257	\$ 120	\$ 3,831	\$ 3,753	\$ 122,035	\$ 14,462	\$ 38,283	\$ 140,156	\$ 323,897
Investment purchases payable	—	—	—	9,745	—	—	—	2,113	11,858
Securities lending obligations	697	—	—	15,531	—	14,157	—	33,842	64,227
Due to other funds	37	2	605	23	257,243	9,398	50,539	162,062	479,909
Due to component units	—	—	—	—	—	—	—	5,094	5,094
Due to pension trust funds	105	22	284	16	4	31	741	2,919	4,122
Due to political subdivisions	—	—	—	—	827	9,749	52,420	87,913	150,909
Due to other governments	24	5	62	1	1	8	83	708	892
Unearned revenue	—	1,742	—	—	—	—	35,068	43,705	80,515
Advances from other funds	—	—	—	—	—	—	—	16,500	16,500
TOTAL LIABILITIES	2,120	1,891	4,782	29,069	380,110	47,805	177,134	495,012	1,137,923
Deferred inflows of resources:									
TOTAL DEFERRED INFLOWS OF RESOURCES	—	—	—	—	176,254	—	—	265	176,519
Fund balances:									
Restricted	71,544	2,246	111,627	1,083,837	—	1,620,703	1,285,892	2,484,888	6,660,737
Committed	—	—	—	—	50,189	—	—	51,185	101,374
Unassigned deficit	—	—	—	—	—	—	—	(14,081)	(14,081)
TOTAL FUND BALANCES	71,544	2,246	111,627	1,083,837	50,189	1,620,703	1,285,892	2,521,992	6,748,030
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 73,664	\$ 4,137	\$ 116,409	\$ 1,112,906	\$ 606,553	\$ 1,668,508	\$ 1,463,026	\$ 3,017,269	\$ 8,062,472

Commonwealth of Pennsylvania
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds
For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Budgeted Funds								Total
	Banking	Milk Marketing	Workmen's Compensation Admin.	Workers' Compensation Security	Tobacco Settlement Fund	Public Transportation Trust	Gaming	Other	
REVENUES:									
Taxes.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 696,613	\$ 1,836,870	\$ 543,925	\$ 3,077,408
Licenses and fees.....	12,677	2,707	2	31,628	—	288,105	76,470	1,018,730	1,430,319
Intergovernmental.....	—	—	—	—	195,999	461,775	9,838	144,721	812,333
Charges for sales and services.....	24,229	—	73,003	—	8,094	1,576	—	515,601	622,503
Investment earnings.....	(1,596)	7	8,111	(96,827)	340	(31,665)	2,723	(109,633)	(228,540)
Interest on notes and loans.....	—	—	—	—	—	—	—	3	3
Other.....	4	24	98	28	256,731	—	—	(7,627)	249,258
TOTAL REVENUES	35,314	2,738	81,214	(65,171)	461,164	1,416,404	1,925,901	2,105,720	5,963,284
EXPENDITURES:									
Current:									
Direction and supportive services.....	126	—	—	—	—	—	415,946	364	416,436
Protection of persons and property.....	18,896	2,585	453	20,671	—	—	16,575	922,407	981,587
Health and human services.....	—	—	65,707	—	564,355	—	6,605	62,186	698,853
Public education.....	—	—	—	—	—	—	621,300	330	621,630
Recreation and cultural enrichment.....	—	—	—	—	—	—	10,167	226,824	236,991
Economic development.....	—	—	203	—	3,295	—	13,785	545,532	562,815
Transportation.....	—	—	—	—	—	1,220,916	—	60,998	1,281,914
Capital outlay.....	—	—	2,633	—	—	9,171	503	59,725	72,032
Interest and fiscal charges.....	214	—	452	—	—	—	16	182	864
TOTAL EXPENDITURES	19,236	2,585	69,448	20,671	567,650	1,230,087	1,084,897	1,878,548	4,873,122
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,078	153	11,766	(85,842)	(106,486)	186,317	841,004	227,172	1,090,162
OTHER FINANCING SOURCES (USES):									
Transfers in.....	—	—	2,989	—	115,338	120,415	—	204,870	443,612
Transfers out.....	—	—	—	—	—	(30,000)	(312,114)	(258,102)	(600,216)
Leases and installment purchases.....	—	—	2,633	—	—	—	502	10,833	13,968
NET OTHER FINANCING SOURCES (USES)	—	—	5,622	—	115,338	90,415	(311,612)	(42,399)	(142,636)
NET CHANGE IN FUND BALANCES	16,078	153	17,388	(85,842)	8,852	276,732	529,392	184,773	947,526
FUND BALANCES, JULY 1, 2021	55,466	2,093	94,239	1,169,679	41,337	1,343,971	756,500	2,337,219	5,800,504
FUND BALANCES, JUNE 30, 2022	\$ 71,544	\$ 2,246	\$ 111,627	\$ 1,083,837	\$ 50,189	\$ 1,620,703	\$ 1,285,892	\$ 2,521,992	\$ 6,748,030

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Nonmajor Funds
 Special Revenue Fund-Banking
 For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Licenses and fees	\$ 25,722	\$ 4,521	\$ 30,243	\$ 4,797	\$ 35,040
Fines, penalties and interest	400	401	801	729	1,530
Investment earnings	500	(100)	400	76	476
TOTAL REVENUES	26,622	4,822	31,444	5,602	37,046
EXPENDITURES:					
State Programs:					
General Government Operations	23,786	—	23,786	—	23,786
Transfer to Institution Resolution Account	3,000	—	3,000	2,000	5,000
TOTAL EXPENDITURES	26,786	—	26,786	2,000	28,786
REVENUES OVER (UNDER) EXPENDITURES	(164)	4,822	4,658	3,602	8,260
OTHER FINANCING SOURCES:					
Prior year lapses	—	7,595	7,595	—	7,595
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(164)	12,417	12,253	3,602	15,855
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2021	11,649	—	11,649	—	11,649
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2022	\$ 11,485	\$ 12,417	\$ 23,902	\$ 3,602	\$ 27,504

Budgetary Compliance

The Commonwealth's legal level of budgetary control for expenditures is at the appropriation (or program) level. The schedule above separately displays the appropriation(s) within the fund to demonstrate budgetary expenditure compliance.

Reconciliation of Budgetary to GAAP Basis Amounts

The Commonwealth adopts a formal annual budget for the Banking Department Fund. The Budgetary Comparison Schedule presented above presents a comparison of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from governmental fund statement information primarily by the omission of certain revenue and expenditure accruals. The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting (amounts in thousands):

Budgetary basis — revenues and other sources under expenditures (from Actual column above)	\$ 15,855
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue	(9,327)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	9,550
Net adjustments	223
Modified accrual basis — net change in governmental fund balance	\$ 16,078

The above revenue adjustments include net revenue accruals/deferrals, amounts to recognize certain pass-through grants and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass-through grants, and amounts to recognize certain expenditures related to federal and other grants that are not reported for budgetary reporting purposes.

— The notes on pages 213 to 215 are an integral part of this schedule. —

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Nonmajor Funds
 Special Revenue Fund-Milk Marketing
 For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Licenses and fees	\$ 2,707	\$ 54	\$ 2,761	\$ (85)	\$ 2,676
Fines, penalties and interest	5	35	40	(2)	38
Investment earnings	11	(9)	2	2	4
TOTAL REVENUES	<u>2,723</u>	<u>80</u>	<u>2,803</u>	<u>(85)</u>	<u>2,718</u>
EXPENDITURES:					
State programs:					
General Operations	2,840	—	2,840	—	2,840
REVENUES OVER (UNDER) EXPENDITURES	<u>(117)</u>	<u>80</u>	<u>(37)</u>	<u>(85)</u>	<u>(122)</u>
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2021	1,240	—	1,240	—	1,240
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2022	<u>\$ 1,123</u>	<u>\$ 80</u>	<u>\$ 1,203</u>	<u>\$ (85)</u>	<u>\$ 1,118</u>

Budgetary Compliance

The Commonwealth's legal level of budgetary control for expenditures is at the appropriation (or program) level. The schedule above separately displays the appropriation(s) within the fund to demonstrate budgetary expenditure compliance.

Reconciliation of Budgetary to GAAP Basis Amounts

The Commonwealth adopts a formal annual budget for the Milk Marketing Fund. The Budgetary Comparison Schedule presented above presents a comparison of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from governmental fund statement information primarily by the omission of certain revenue and expenditure accruals. The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting (amounts in thousands):

Budgetary basis — revenues and other sources over expenditures (from Actual column above)	<u>\$ (122)</u>
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue	19
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	<u>256</u>
Net adjustments	<u>275</u>
Modified accrual basis — net change in governmental fund balance	<u>\$ 153</u>

The above revenue adjustments include net revenue accruals/deferrals, amounts to recognize certain pass-through grants, and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass-through grants, and amounts to recognize certain expenditures related to federal and other grants that are not reported for budgetary reporting purposes.

— The notes on pages 213 to 215 are an integral part of this schedule. —

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Nonmajor Funds
 Special Revenue Fund-Workmen's Compensation Administration
 For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Taxes, net of refunds	\$ 65,000	\$ 10,800	\$ 75,800	\$ 1,879	\$ 77,679
Fines, penalties and interest	18	(13)	5	(3)	2
Departmental Services	300	—	300	(87)	213
Miscellaneous	400	(50)	350	(252)	98
TOTAL REVENUES	65,718	10,737	76,455	1,537	77,992
EXPENDITURES:					
State programs:					
Administration of Workers' Compensation	76,102	—	76,102	(87)	76,015
REVENUES OVER (UNDER) EXPENDITURES	(10,384)	10,737	353	1,624	1,977
OTHER FINANCING SOURCES:					
Prior year lapses	—	10,273	10,273	—	10,273
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(10,384)	21,010	10,626	1,624	12,250
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2021	63,032	—	63,032	—	63,032
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2022	\$ 52,648	\$ 21,010	\$ 73,658	\$ 1,624	\$ 75,282

Budgetary Compliance

The Commonwealth's legal level of budgetary control for expenditures is at the appropriation (or program) level. The schedule above separately displays the appropriation(s) within the fund to demonstrate budgetary expenditure compliance.

Reconciliation of Budgetary to GAAP Basis Amounts

The Commonwealth adopts a formal annual budget for the Workmen's Compensation Administration Fund. The Budgetary Comparison Schedule presented above presents a comparison of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from governmental fund statement information primarily by the omission of certain revenue and expenditure accruals. The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting (amounts in thousands):

Budgetary basis — revenues and other sources under expenditures (from Actual column above)	<u>\$ 12,250</u>
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue	(1,430)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	<u>6,568</u>
Net adjustments	<u>5,138</u>
Modified accrual basis — net change in governmental fund balance	<u>\$ 17,388</u>

The above revenue adjustments include net revenue accruals/deferrals, amounts to recognize certain pass-through grants, and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass-through grants, and amounts to recognize certain expenditures related to federal and other grants that are not reported for budgetary reporting purposes.

— The notes on pages 213 to 215 are an integral part of this schedule. —

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Debt Service Funds

**DEBT SERVICE FUNDS
DESCRIPTION
NONMAJOR FUNDS**

Debt service funds account for the accumulation of resources, principally from transfers from other Funds, for the payment of general long-term debt principal and interest.

Pennsylvania Infrastructure Investment Authority Redemption Fund - to account for the payment of principal and interest on bonds issued for loans to local water companies for the repair, construction, extension, and improvement of water supply systems, dams, port facilities, and water control systems. Funding consists of transfers from the **General Fund** and the Pennsylvania Infrastructure Investment Authority and investment earnings.

Capital Debt Fund - to account for the payment of principal and interest related to general obligation bonds issued for capital projects authorized by Capital Budget Acts. Funding consists of primarily from transfers from the **General Fund** and the **Motor License Fund**, facility rental, and investment earnings.

Growing Greener Bond Sinking Fund - payments for principal and interest for the Growing Greener Bond Fund are made from this Fund. Funding consists of transfers from the Environmental Stewardship Fund.

Water and Sewer Systems Assistance Bond Sinking Fund - payments to redeem or pay interest on bonds issued for the Water and Sewer Systems Assistance Fund are made from this Fund. Funding is requested annually by the Governor and appropriated by the General Assembly.

Water Supply and Wastewater Treatment Sinking Fund - monies in this fund are used to redeem or pay interest on bonds issued for the Water Supply and Wastewater Treatment Fund. Funding consists of monies appropriated annually by the General Assembly.

Other - these funds account for the payment of principal and interest on bonds issued for loans to nursing homes and volunteer fire companies, compensation to Vietnam conflict veterans, finance of various environmental initiatives, and for water and wastewater infrastructure projects related to economic development. Funding consists of transfers from the **General Fund**, Environmental Stewardship Fund, and investment earnings. This other category is an aggregation of 13 individual debt service funds.

There are a total of 18 individual debt service funds; all are reported as nonmajor funds.

Commonwealth of Pennsylvania
Combining Balance Sheet
Nonmajor Governmental Funds
Debt Service Funds

June 30, 2022

(Amounts in thousands)

	Pennsylvania Infrastructure Investment Authority Redemption	Capital Debt	Growing Greener Bond Sinking	Water and Sewer Systems Assistance Bond Sinking	Water Supply and Wastewater Treatment Sinking	Other	Total
ASSETS							
Temporary investments.....	\$ 13,339	\$ 4,299	\$ 6	\$ 530	\$ —	\$ 152	\$ 18,326
Receivables (net):							
Investment earnings.....	11	19	—	—	—	—	30
Due from component units.....	175	—	—	—	—	—	175
TOTAL ASSETS	\$ 13,525	\$ 4,318	\$ 6	\$ 530	\$ —	\$ 152	\$ 18,531
Fund balances:							
Committed.....	13,525	4,318	6	530	—	152	18,531
TOTAL FUND BALANCES	13,525	4,318	6	530	—	152	18,531
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,525	\$ 4,318	\$ 6	\$ 530	\$ —	\$ 152	\$ 18,531

Commonwealth of Pennsylvania
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Debt Service Funds

For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Pennsylvania Infrastructure Investment Authority Redemption	Capital Debt	Growing Greener Bond Sinking	Water and Sewer Systems Assistance Bond Sinking	Water Supply and Wastewater Treatment Sinking	Other	Total
REVENUES:							
Intergovernmental.....	\$ 775	\$ 6,168	\$ —	\$ 527	\$ —	\$ —	\$ 7,470
Investment earnings.....	29	27	—	1	—	—	57
Other.....	13,357	—	—	—	—	—	13,357
TOTAL REVENUES	14,161	6,195	—	528	—	—	20,884
EXPENDITURES:							
Debt service:							
Principal retirement.....	5,830	849,999	7,167	6,840	2,185	—	872,021
Interest and fiscal charges.....	1,876	460,307	5,122	1,881	1,094	—	470,280
TOTAL EXPENDITURES	7,706	1,310,306	12,289	8,721	3,279	—	1,342,301
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,455	(1,304,111)	(12,289)	(8,193)	(3,279)	—	(1,321,417)
OTHER FINANCING SOURCES (USES):							
Transfers in.....	—	1,279,802	12,289	8,721	3,279	—	1,304,091
NET CHANGE IN FUND BALANCES	6,455	(24,309)	—	528	—	—	(17,326)
FUND BALANCES, JULY 1, 2021	7,070	28,627	6	2	—	152	35,857
FUND BALANCES, JUNE 30, 2022	\$ 13,525	\$ 4,318	\$ 6	\$ 530	\$ —	\$ 152	\$ 18,531



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Capital Projects Funds

**CAPITAL PROJECTS FUNDS
DESCRIPTION
NONMAJOR FUNDS**

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities, including those provided to political subdivisions or other public organizations.

Capital Facilities Fund - to account for general obligation bond proceeds used to fund capital projects specifically itemized and authorized by capital budget acts. Projects fall within six broad categories: public improvements, public improvement-original furniture and equipment, transportation assistance, redevelopment assistance, flood control and highway projects. Such projects include those of the primary government and also grants to non-primary government recipients.

Keystone Recreation, Park and Conservation Fund - to account for bond proceeds and a percentage of the state realty transfer tax. The amounts are used to acquire, improve and expand Commonwealth and community parks, recreation facilities, historic sites, zoos, public libraries, nature preserves and wildlife habitats.

Growing Greener Bond Fund - to account for the proceeds of bonds issued. The money will be used to finance various environmental projects such as watershed protection, mine drainage remediation, advanced energy, flood protection, brownfields remediation, state parks and forests facilities, open space conservation, farmland preservation and various capital improvement projects including county environmental initiatives.

Water Supply and Wastewater Treatment Fund - funding for this program is generated from the \$250 million bond issue approved by the electorate in April of 2004. Funds are allocated to the **Commonwealth Financing Authority** and the Pennsylvania Infrastructure Investment Authority (PENNVEST) to be used for grants and loans for new and existing water supply and wastewater system projects in the Commonwealth.

Public Transportation Assistance Fund - This fund was established to help provide for the capital asset maintenance and other transportation needs of the Commonwealth's transit entities. Act 44 of 2007 revised the purpose of this fund by transferring programs to the new Public Transportation Trust Fund.

Land and Water Development Fund - to account for the proceeds of bonds issued for pollution remediation; grants to local governments for sewage treatment facilities; the development of public outdoor recreation areas; and acquisition and development of park and recreation lands and related studies to determine such needs. The fund is not displayed separately, as there was no activity in this fund as of June 30, 2022. There remain bonds authorized but not issued for the fund.

There are a total of six individual capital projects funds; all are reported as nonmajor funds.

Commonwealth of Pennsylvania
Combining Balance Sheet
Nonmajor Governmental Funds
Capital Projects Funds
June 30, 2022

(Amounts in thousands)

	Capital Facilities	Keystone Recreation, Park and Conservation	Growing Greener Bond	Water Supply and Wastewater Treatment	Public Transportation Assistance	Total
ASSETS						
Cash	\$ 2,764	\$ —	\$ —	\$ —	\$ 5	\$ 2,769
Temporary investments	649	124,545	795	19,403	12,138	157,530
Long-term investments	—	155,905	—	—	—	155,905
Receivables (net):						
Taxes	—	—	—	—	32,461	32,461
Accounts	—	1	—	—	—	1
Investment earnings	26	101	1	17	14	159
Due from other funds	18,094	13,259	—	—	12,196	43,549
TOTAL ASSETS	\$ 21,533	\$ 293,811	\$ 796	\$ 19,420	\$ 56,814	\$ 392,374
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 97,069	\$ 6,605	\$ —	\$ —	\$ —	\$ 103,674
Securities lending obligations	—	6,506	—	—	—	6,506
Due to other funds	12,110	1,878	—	—	—	13,988
Due to pension trust funds	—	7	—	—	—	7
Due to political subdivisions	14,236	1,583	—	—	10,919	26,738
Due to other governments	—	3	—	—	—	3
TOTAL LIABILITIES	123,415	16,582	—	—	10,919	150,916
Fund balances:						
Committed	—	277,229	796	19,420	45,895	343,340
Unassigned deficit	(101,882)	—	—	—	—	(101,882)
TOTAL FUND BALANCES	(101,882)	277,229	796	19,420	45,895	241,458
TOTAL LIABILITIES AND FUND BALANCES	\$ 21,533	\$ 293,811	\$ 796	\$ 19,420	\$ 56,814	\$ 392,374

Commonwealth of Pennsylvania
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Capital Projects Funds

For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Capital Facilities	Keystone Recreation, Park and Conservation	Growing Greener Bond	Water Supply and Wastewater Treatment	Public Transportation Assistance	Total
REVENUES:						
Taxes	\$ —	\$ 156,189	\$ —	\$ —	\$ 278,550	\$ 434,739
Charges for sales and services	40	—	—	—	—	40
Investment earnings	337	(15,540)	2	43	55	(15,103)
TOTAL REVENUES	377	140,649	2	43	278,605	419,676
EXPENDITURES:						
Current:						
Direction and supportive services	53,636	—	—	—	—	53,636
Protection of persons and property	750	—	—	—	—	750
Public education	—	24,151	—	—	—	24,151
Recreation and cultural enrichment	943	54,734	83	—	—	55,760
Economic development	109,582	—	38	—	—	109,620
Transportation	136,263	—	—	—	258,374	394,637
Capital outlay	415,937	19,782	—	—	—	435,719
TOTAL EXPENDITURES	717,111	98,667	121	—	258,374	1,074,273
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	(716,734)	41,982	(119)	43	20,231	(654,597)
OTHER FINANCING SOURCES (USES):						
Transfers in	48,470	—	—	—	—	48,470
Transfers out	(44,755)	(7,200)	—	—	(24,508)	(76,463)
NET OTHER FINANCING SOURCES (USES)	3,715	(7,200)	—	—	(24,508)	(27,993)
NET CHANGE IN FUND BALANCES	(713,019)	34,782	(119)	43	(4,277)	(682,590)
FUND BALANCES, JULY 1, 2021	611,137	242,447	915	19,377	50,172	924,048
FUND BALANCES, JUNE 30, 2022	\$ (101,882)	\$ 277,229	\$ 796	\$ 19,420	\$ 45,895	\$ 241,458



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Enterprise Funds

**ENTERPRISE FUNDS
DESCRIPTION
NONMAJOR FUNDS**

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. Costs of providing goods and services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

Volunteer Companies Loan Fund - to account for and provide low-interest loans for acquisition and replacement of volunteer fire, ambulance and rescue company equipment and facilities.

Coal and Clay Mine Subsidence Insurance Fund - to account for and provide insurance coverage to homeowners in mining areas against damages resulting from mine subsidence.

Pennsylvania Infrastructure Bank Fund (PIB) - to account for and provide low-interest loans to, or enter into leases with, qualified borrowers to finance the costs of transportation projects within Pennsylvania. Acts 165 and 7A of 2004 expanded this program to include financing of rail freight infrastructure. Eligible borrowers include local governments, transportation authorities, economic development agencies, not-for-profit organizations, and private corporations. The interest rate on PIB loans is fixed at one-half the prime lending rate with terms up to 10 years.

Rehabilitation Center Fund - to account for the activities of the Hiram G. Andrews Rehabilitation Center (Center) which offers rehabilitative, educational, vocational, life management, and counseling services, resulting in employment and independence for persons with disabilities. The Center is funded from fees for services rendered.

Philadelphia Regional Port Authority (PRPA) - The PRPA (a blended component unit) operates a port facility and manages port-related activities to promote commerce and economic development in southeastern Pennsylvania. The PRPA charges rental and other fees to port users and obtains funding from the Primary Government. The PRPA also issues revenue bonds to finance its activities.

Other - to account for enterprise operations including activities associated with low interest loans to manufacturers, financial and technical assistance to minority business enterprises, and loans and grants provided to attract industrial, manufacturing or research and development enterprises to the Commonwealth. This other category is an aggregation of five individual enterprise funds.

There are a total of 16 individual enterprise funds. The following funds are reported as Major Funds in the basic financial statements: **Unemployment Compensation Fund, State Workers' Insurance Fund, State Lottery Fund, State Stores Fund, Tuition Payment Fund** and the **Commonwealth Financing Authority** (a blended component unit).

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Commonwealth of Pennsylvania
Combining Statement of Net Position
Nonmajor Proprietary Funds
Enterprise Funds
June 30, 2022

(Amounts in thousands)	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
ASSETS							
Current assets:							
Cash	\$ 294	\$ 31	\$ 107	\$ 2	\$ 16,905	\$ 45	\$ 17,384
Cash with fiscal agents	—	—	—	1	—	—	1
Temporary investments	22,241	33,899	19,892	9,736	15,252	12,957	113,977
Receivables (net):							
Accounts	—	—	3	53	1,245	19	1,320
Investment earnings	18	24	16	7	—	10	75
Interest on loans	147	—	858	—	—	48	1,053
Loans	11,900	—	14,124	—	—	885	26,909
Lease rentals	—	—	—	—	12,044	—	12,044
Other	—	—	—	—	2	—	2
Due from other funds	—	—	—	2,235	6,170	6	8,411
Due from Federal Government	—	—	—	163	—	1	164
Due from other governments	—	—	—	—	60	—	60
Advances to other funds	—	—	2,902	—	—	—	2,902
Inventory	—	—	—	—	—	4	4
Prepaid expenses	—	—	—	—	1,148	—	1,148
Total current assets	<u>34,600</u>	<u>33,954</u>	<u>37,902</u>	<u>12,197</u>	<u>52,826</u>	<u>13,975</u>	<u>185,454</u>
Noncurrent assets:							
Restricted cash	—	—	—	—	315	—	315
Long-term investments	38,551	129,637	23,570	—	—	—	191,758
Receivables:							
Loans	56,639	—	75,398	—	—	4,480	136,517
Lease rentals	—	—	—	—	119,988	—	119,988
Non-depreciable capital assets:							
Land	—	—	—	—	237,483	—	237,483
Construction in progress	—	—	—	—	2,792	—	2,792
Depreciable or amortizable capital assets:							
Land improvements	—	—	—	—	172,458	—	172,458
Buildings and building improvements	—	—	—	34,135	563,839	—	597,974
Machinery and equipment	—	237	—	4,074	71,818	1,854	77,983
Intangible right-to-use leases	—	—	—	—	243	—	243
Less: accumulated depreciation and amortization	—	(144)	—	(30,251)	(339,826)	(1,812)	(372,033)
Net depreciable or amortizable capital assets	—	93	—	7,958	468,532	42	476,625
Other assets	—	—	—	—	9,237	—	9,237
Total noncurrent assets	<u>95,190</u>	<u>129,730</u>	<u>98,968</u>	<u>7,958</u>	<u>838,347</u>	<u>4,522</u>	<u>1,174,715</u>
TOTAL ASSETS	\$ 129,790	\$ 163,684	\$ 136,870	\$ 20,155	\$ 891,173	\$ 18,497	\$ 1,360,169

Commonwealth of Pennsylvania
Combining Statement of Net Position
Nonmajor Proprietary Funds
Enterprise Funds
June 30, 2022

(Amounts in thousands)	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
DEFERRED OUTFLOWS OF RESOURCES							
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ —	\$ 1,618	\$ —	\$ 11,302	\$ 4,445	\$ 560	\$ 17,925
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	—	153	3,545	2,453	15,286	467	21,904
Securities lending obligations	1,609	5,410	984	—	—	—	8,003
Due to other funds	—	6	—	242	20	10	278
Due to pension trust funds	—	13	—	97	51	3	164
Due to component units	—	35	—	—	—	—	35
Due to political subdivisions	—	—	—	33	—	—	33
Due to other governments	—	3	—	23	—	1	27
Unearned revenue	41	1,745	—	—	—	—	1,786
Self-insurance liabilities	—	9	—	59	54	2	124
Compensated absences	—	66	—	268	186	—	520
Other postemployment benefit liability	—	—	—	—	251	—	251
Lease liability	—	—	—	—	65	—	65
Other liabilities	—	—	—	—	7	—	7
Total current liabilities	1,650	7,440	4,529	3,175	15,920	483	33,197
Noncurrent liabilities:							
Insurance loss liability	—	292	—	—	—	—	292
Compensated absences	—	280	—	1,142	792	—	2,214
Self-insurance liabilities	—	72	—	495	452	16	1,035
Other postemployment benefit liability	—	2,602	—	20,080	5,955	364	29,001
Net pension liability	—	2,861	—	18,165	8,190	453	29,669
Lease liability	—	—	—	—	11	—	11
Other liabilities	—	—	—	—	315	—	315
Total noncurrent liabilities	—	6,107	—	39,882	15,715	833	62,537
TOTAL LIABILITIES	1,650	13,547	4,529	43,057	31,635	1,316	95,734
DEFERRED INFLOWS OF RESOURCES							
TOTAL DEFERRED INFLOWS OF RESOURCES	—	3,583	—	24,011	139,509	2,809	169,912
NET POSITION							
Net investment in capital assets	—	93	—	7,958	708,731	42	716,824
Restricted for:							
Transportation	—	—	132,341	—	—	—	132,341
Economic development	—	—	—	—	18,012	6,636	24,648
Emergency support	128,140	—	—	—	—	—	128,140
Other purposes	—	148,079	—	—	—	8,254	156,333
Unrestricted	—	—	—	(43,569)	(2,269)	—	(45,838)
TOTAL NET POSITION (DEFICIT)	\$ 128,140	\$ 148,172	\$ 132,341	\$ (35,611)	\$ 724,474	\$ 14,932	\$ 1,112,448

Commonwealth of Pennsylvania
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Proprietary Funds
Enterprise Funds
For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
OPERATING REVENUES:							
Sales and services	\$ —	\$ 5,040	\$ 11	\$ 26,053	\$ 15,541	\$ 1,335	\$ 47,980
Interest on loans	1,452	—	1,893	—	—	106	3,451
Other	—	—	—	—	345	28	373
OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS							
	1,452	5,040	1,904	26,053	15,886	1,469	51,804
Provision for uncollectible accounts	(21)	—	195	—	—	79	253
NET OPERATING REVENUES	1,431	5,040	2,099	26,053	15,886	1,548	52,057
OPERATING EXPENSES:							
Cost of sales and services	600	2,770	11,493	16,387	10,284	2,513	44,047
Depreciation	—	15	—	471	32,905	8	33,399
Other	—	—	—	—	2,269	—	2,269
TOTAL OPERATING EXPENSES	600	2,785	11,493	16,858	45,458	2,521	79,715
OPERATING INCOME (LOSS)	831	2,255	(9,394)	9,195	(29,572)	(973)	(27,658)
NONOPERATING REVENUES (EXPENSES):							
Investment earnings	(3,857)	(13,054)	(2,345)	12	25	28	(19,191)
Interest expense	—	—	—	—	(4)	—	(4)
Grants and other revenues	—	—	—	1,345	6,070	628	8,043
Other expenses	—	—	—	—	(791)	—	(791)
TOTAL NONOPERATING REVENUES (EXPENSES)	(3,857)	(13,054)	(2,345)	1,357	5,300	656	(11,943)
INCOME (LOSS) BEFORE TRANSFERS	(3,026)	(10,799)	(11,739)	10,552	(24,272)	(317)	(39,601)
TRANSFERS AND CONTRIBUTIONS:							
Capital contributions	—	—	—	—	3,192	—	3,192
Transfers in	—	—	—	—	28,155	1	28,156
TRANSFERS AND CONTRIBUTIONS, NET	—	—	—	—	31,347	1	31,348
CHANGE IN NET POSITION	(3,026)	(10,799)	(11,739)	10,552	7,075	(316)	(8,253)
TOTAL NET POSITION (DEFICIT), JULY 1, 2021	131,166	158,971	144,080	(46,163)	717,399	15,248	1,120,701
TOTAL NET POSITION (DEFICIT), JUNE 30, 2022	\$ 128,140	\$ 148,172	\$ 132,341	\$ (35,611)	\$ 724,474	\$ 14,932	\$ 1,112,448

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Commonwealth of Pennsylvania
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Enterprise Funds

For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from customers and participants	\$ —	\$ —	\$ —	\$ 26,057	\$ 15,464	\$ 1,344	\$ 42,865
Receipts from borrowers for fees and loan repayments	13,797	—	16,846	—	—	1,436	32,079
Receipt of premiums	—	3,870	—	—	—	—	3,870
Payments to borrowers	(8,729)	—	(8,876)	—	—	(350)	(17,955)
Payments for vendors, employees and other costs	(600)	(4,271)	(11,493)	(18,870)	(14,647)	(4,739)	(54,620)
Other receipts	—	—	—	—	—	27	27
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	4,468	(401)	(3,523)	7,187	817	(2,282)	6,266
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:							
Net advances from (to) other funds	—	—	362	—	—	—	362
Transfers in	—	—	—	—	370	1	371
Grants and other revenues	—	—	—	1,182	164	627	1,973
Bond issuance costs	—	—	—	—	(271)	—	(271)
Right-to-use lease interest	—	—	—	—	5,560	—	5,560
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	—	—	362	1,182	5,823	628	7,995
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	—	—	—	(273)	(46,917)	(7)	(47,197)
Lease/installment purchase payments	—	—	—	—	(62)	—	(62)
Interest payments on other capital debt	—	—	—	—	(4)	—	(4)
Transfers in	—	—	—	—	45,916	—	45,916
Capital contributions	—	—	—	—	3,192	—	3,192
Maintenance payments	—	—	—	—	(7,026)	—	(7,026)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	—	—	—	(273)	(4,901)	(7)	(5,181)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchase of investments	(13,557)	(6,612)	(15,440)	(32,048)	(10,097)	(3,831)	(81,585)
Sales and maturities of investments	8,208	3,723	18,036	23,602	7,887	5,508	66,964
Investment earnings	991	3,281	614	4	25	19	4,934
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(4,358)	392	3,210	(8,442)	(2,185)	1,696	(9,687)
NET INCREASE (DECREASE) IN CASH	110	(9)	49	(346)	(446)	35	(607)
CASH AT JULY 1, 2021	184	40	58	349	17,666	10	18,307
CASH AT JUNE 30, 2022 (including \$315 in restricted assets)	\$ 294	\$ 31	\$ 107	\$ 3	\$ 17,220	\$ 45	\$ 17,700

Commonwealth of Pennsylvania
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Enterprise Funds

For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET							
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES							
Operating income (loss)	\$ 831	\$ 2,255	\$ (9,394)	\$ 9,195	\$ (29,572)	\$ (973)	(27,658)
Depreciation and amortization of capital assets	—	15	—	471	32,905	8	33,399
Amortization of other assets	—	—	—	—	2,269	—	2,269
Provision for uncollectible accounts	21	—	(195)	—	—	(79)	(253)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:							
Accounts receivable	1	—	—	4	—	(4)	1
Interest on loans receivable	(39)	—	(30)	—	—	(5)	(74)
Loans receivable	3,984	—	2,551	—	—	985	7,520
Lease rental receivable	—	—	—	—	(407)	—	(407)
Due from other funds	—	—	—	2,511	—	12	2,523
Due from other governments	—	—	—	—	55	—	55
Other current and noncurrent assets	—	—	—	—	(127)	—	(127)
Deferred outflows	—	301	—	(2,757)	878	(48)	(1,626)
Accounts payable and accrued liabilities	(334)	(38)	3,545	1,247	(895)	337	3,862
Due to other funds	—	(12)	—	145	—	(2,052)	(1,919)
Due to pension trust funds	—	(1)	—	9	—	—	8
Due to component units	—	35	—	—	—	—	35
Due to political subdivisions	—	—	—	33	—	—	33
Due to other governments	—	—	—	(57)	—	1	(56)
Unearned revenue	4	(1,170)	—	—	—	—	(1,166)
Self-insurance liabilities	—	(12)	—	(89)	(169)	(1)	(271)
Compensated absences	—	(134)	—	44	22	—	(68)
Insurance loss liability	—	(325)	—	—	—	—	(325)
Other postemployment benefit liability	—	(448)	—	(1,159)	(1,818)	58	(3,367)
Net pension liability	—	(867)	—	(4,230)	(2,276)	(12)	(7,385)
Other current and noncurrent liabilities	—	—	—	—	(15)	—	(15)
Deferred inflows	—	—	—	1,820	(33)	(509)	1,278
Total Adjustments	3,637	(2,656)	5,871	(2,008)	30,389	(1,309)	33,924
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 4,468	\$ (401)	\$ (3,523)	\$ 7,187	\$ 817	\$ (2,282)	\$ 6,266
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:							
Increase (decrease) in fair value of investments during the fiscal year	\$ (4,865)	\$ (16,358)	\$ (2,974)	\$ —	\$ —	\$ —	(24,197)
Decrease in investment earnings receivable	17	23	15	7	—	10	72
Increase (decrease) in investments from changes in securities lending obligations	847	2,846	518	—	—	—	4,211
Disposals of capital assets	—	—	—	—	(384)	—	(384)
Transfers from other funds (accruals)	—	—	—	—	30,563	—	30,563

There were no other material investing, capital or financing activities that did not result in cash receipts or cash payments during the fiscal year.

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Internal Service Funds

INTERNAL SERVICE FUNDS DESCRIPTION

Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the Commonwealth, or to other governmental units, on a cost-reimbursement basis.

Purchasing Fund - to account for the purchase of materials, supplies, services and equipment by the Department of General Services for the sale or lease to other Commonwealth departments, boards and commissions. This fund is also used to account for all Commonwealth telecommunication activities, which are accounted for by the Governor's Executive Offices. Revenue is derived from reimbursements from Commonwealth departments, boards and commissions that use Fund services or products.

Manufacturing Fund - to account for the manufacture and sale of goods and services by inmates in the correctional institutions to the Department of Corrections, other government agencies, and government-aided organizations.

There are a total of two individual internal service funds.

Commonwealth of Pennsylvania
Combining Statement of Net Position
Nonmajor Proprietary Funds
Internal Service Funds
June 30, 2022

(Amounts in thousands)

	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash.....	\$ 274	\$ 591	\$ 865
Temporary investments.....	14,752	21,690	36,442
Receivables (net):			
Accounts.....	395	266	661
Investment earnings.....	11	19	30
Due from other funds.....	28,856	3,239	32,095
Due from pension trust funds.....	851	4,735	5,586
Due from component units.....	67	2	69
Due from political subdivisions.....	—	15	15
Due from other governments.....	—	10	10
Inventory.....	55	19,567	19,622
Total current assets.....	<u>45,261</u>	<u>50,134</u>	<u>95,395</u>
Noncurrent assets:			
Long-term investments.....	—	18,509	18,509
Depreciable capital assets:			
Land improvements.....	192	—	192
Buildings and building improvements.....	153	6,273	6,426
Machinery and equipment.....	109,855	43,327	153,182
Intangible right-to-use leases.....	311,611	—	311,611
Less: accumulated depreciation.....	(119,523)	(32,093)	(151,616)
Net depreciable capital assets.....	<u>302,288</u>	<u>17,507</u>	<u>319,795</u>
Total noncurrent assets.....	<u>302,288</u>	<u>36,016</u>	<u>338,304</u>
TOTAL ASSETS	<u>347,549</u>	<u>86,150</u>	<u>433,699</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>9,349</u>	<u>11,190</u>	<u>20,539</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities.....	38,311	6,166	44,477
Securities lending obligations.....	—	772	772
Due to other funds.....	3,713	693	4,406
Due to pension trust funds.....	113	252	365
Due to political subdivisions.....	—	5	5
Due to other governments.....	26	50	76
Self-insurance liabilities.....	107	261	368
Compensated absences.....	192	461	653
Installment purchase liability.....	326	—	326
Lease liability.....	8,113	—	8,113
Total current liabilities.....	<u>50,901</u>	<u>8,660</u>	<u>59,561</u>
Noncurrent liabilities:			
Compensated absences.....	817	1,965	2,782
Self-insurance liabilities.....	897	2,195	3,092
Other postemployment benefit liability.....	17,727	21,288	39,015
Net pension liability.....	15,263	29,618	44,881
Installment purchase liability.....	114	—	114
Lease liability.....	288,618	—	288,618
Total noncurrent liabilities.....	<u>323,436</u>	<u>55,066</u>	<u>378,502</u>
TOTAL LIABILITIES	<u>374,337</u>	<u>63,726</u>	<u>438,063</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>16,317</u>	<u>24,405</u>	<u>40,722</u>
NET POSITION			
Net investment in capital assets.....	5,117	17,507	22,624
Unrestricted.....	(38,873)	(8,298)	(47,171)
TOTAL NET POSITION (DEFICIT)	<u>\$ (33,756)</u>	<u>\$ 9,209</u>	<u>\$ (24,547)</u>

Commonwealth of Pennsylvania
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Proprietary Funds
Internal Service Funds

For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)	Purchasing	Manufacturing	Total
OPERATING REVENUES:			
Sales and services	29,547	91,101	120,648
NET OPERATING REVENUES	29,547	91,101	120,648
OPERATING EXPENSES:			
Cost of sales and services	147	79,340	79,487
Depreciation	25,502	2,297	27,799
TOTAL OPERATING EXPENSES	25,649	81,637	107,286
OPERATING INCOME	3,898	9,464	13,362
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	31	(1,821)	(1,790)
Interest expense	(5,266)	—	(5,266)
Grants and other revenues	3	—	3
Other expenses	(5)	—	(5)
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(5,237)	(1,821)	(7,058)
CHANGE IN NET POSITION	(1,339)	7,643	6,304
TOTAL NET POSITION (DEFICIT), JULY 1, 2021	(32,417)	1,566	(30,851)
TOTAL NET POSITION (DEFICIT), JUNE 30, 2022	\$ (33,756)	\$ 9,209	\$ (24,547)

Commonwealth of Pennsylvania
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Internal Service Funds

For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)	Purchasing	Manufacturing	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 43,262	\$ 89,456	\$ 132,718
Payments for vendors, employees and other costs	(23,582)	(88,996)	(112,578)
Other receipts	236	—	236
NET CASH PROVIDED BY OPERATING ACTIVITIES	19,916	460	20,376
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Grants and other revenues	3	(2)	1
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	3	(2)	1
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(6,576)	(243)	(6,819)
Proceeds from disposal of capital assets	1,599	—	1,599
Lease/installment purchase payments	(13,266)	—	(13,266)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(18,243)	(243)	(18,486)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(703,431)	(66,709)	(770,140)
Sales and maturities of investments	700,937	65,987	766,924
Investment earnings	20	497	517
NET CASH USED FOR INVESTING ACTIVITIES	(2,474)	(225)	(2,699)
NET DECREASE IN CASH	(798)	(10)	(808)
CASH AT JULY 1, 2021	1,072	601	1,673
CASH AT JUNE 30, 2022	\$ 274	\$ 591	\$ 865
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating Income	\$ 3,898	\$ 9,464	\$ 13,362
Depreciation and amortization of capital assets	25,502	2,297	27,799
Other adjustments	(1,599)	—	(1,599)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:			
Accounts receivable	(15)	92	77
Due from other funds	2,333	(222)	2,111
Due from pension trust funds	(48)	1,578	1,530
Due from component units	(15)	(2)	(17)
Due from political subdivisions	—	3	3
Due from other governments	—	(8)	(8)
Inventory	(8)	(4,466)	(4,474)
Deferred outflows	(20)	1,380	1,360
Accounts payable and accrued liabilities	(5,313)	(454)	(5,767)
Due to other funds	(583)	201	(382)
Due to pension trust funds	—	13	13
Due to component units	(2)	—	(2)
Due to political subdivisions	(5)	1	(4)
Due to other governments	1	2	3
Self insurance liabilities	(281)	(663)	(944)
Compensated absences	4	156	160
Other postemployment benefit liability	(2,454)	(4,077)	(6,531)
Net pension liability	(3,660)	(7,916)	(11,576)
Deferred inflows	2,181	3,081	5,262
Total Adjustments	16,018	(9,004)	7,014
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 19,916	\$ 460	\$ 20,376
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Decrease in fair value of investments during the fiscal year	\$ —	\$ (2,336)	\$ (2,336)
Decrease in investment earnings receivable	11	18	29
Decrease in investments from changes in securities lending obligations	—	406	406
Disposals of capital assets	(2,891)	—	(2,891)

There were no other material investing, capital or financing activities that did not result in cash receipts or cash payments during the fiscal year.

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Pension (and Other Employee Benefit) Trust Funds

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS DESCRIPTION

Pension (and other employee benefit) trust funds account for assets that are required to be held in trust for the members and beneficiaries of defined benefit pension plans and other postemployment benefit plans and are held by the Commonwealth in a trustee capacity.

PENSION TRUST FUNDS

State Employees' Retirement System (SERS) - Pension - a defined benefit pension trust fund administered by the SERS that provides retirement, disability, and death benefits to members of the SERS and their beneficiaries.

State Employees' Retirement System - Defined Contribution - a defined contribution pension trust fund established by Act 5 of 2017 and administered by the SERS to provide defined contribution retirement benefits to new members of the SERS effective January 1, 2019.

Deferred Compensation Fund - a pension trust fund administered by the SERS that collects and administers amounts contributed by Commonwealth employees who defer a portion of their income until future years, in accordance with Internal Revenue Code Section 457.

Public School Employees' Retirement System (PSERS) - Pension - a defined benefit pension trust fund administered by the PSERS that provides pension benefits to public school employees in Pennsylvania.

Public School Employees' Retirement System - Defined Contribution - a defined contribution pension trust fund established by Act 5 of 2017 and administered by the PSERS to provide defined contribution retirement benefits to new public school employees effective July 1, 2019.

OTHER EMPLOYEE BENEFIT TRUST FUNDS

Public School Employees' Retirement System - Postemployment Healthcare - an employee benefit trust fund administered by the PSERS that provides healthcare, disability, and death benefits to members and their beneficiaries.

Other Postemployment Benefits (REHP) - an employee benefit trust fund that holds and invests amounts contributed by the Commonwealth of Pennsylvania for the sole purpose of providing postemployment healthcare benefits to retired employees.

Other Postemployment Benefits (RPSPP) - an employee benefit trust fund that holds and invests amounts contributed by the Commonwealth of Pennsylvania for the sole purpose of providing postemployment healthcare benefits to retired Pennsylvania State Police.

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Commonwealth of Pennsylvania
Combining Statement of Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds
June 30, 2022

(Amount in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2021)			Public School Employees' Retirement System			Other Postemployment Benefits		Total
	Pension	Defined Contribution	Deferred Compensation	Pension	Defined Contribution	Postemployment Healthcare	Retired	Retired	
							Employees Health Program	Pennsylvania State Police Program	
ASSETS									
Cash	\$ —	\$ —	\$ —	\$ 305,161	\$ —	\$ 300,204	\$ —	\$ —	\$ 605,365
Temporary investments	—	—	—	—	—	—	164,773	32,991	197,764
Long-term investments	—	88	188,388	—	—	—	645,856	129,315	963,647
Short-term funds	1,220,882	7,958	89,688	8,610,049	8,743	196,321	—	—	10,133,641
Corporate obligations	3,115,967	—	—	766,260	—	—	—	—	3,882,227
Collective trust funds	7,183,357	71,297	4,540,816	8,757,629	90,895	—	—	—	20,643,994
Real estate	2,983,453	—	—	7,122,100	—	—	—	—	10,105,553
Alternative	8,371,401	—	—	17,900,975	—	—	—	—	26,272,376
Securities lending collateral	240,978	—	—	9,828,590	—	—	—	—	10,069,568
Asset-backed securities	165,233	—	—	245,200	—	—	—	—	410,433
Domestic equities	12,644,992	—	—	8,217,398	—	—	—	—	20,862,390
International equities	937,744	—	—	7,256,999	—	—	—	—	8,194,743
International public debt securities	280,623	—	—	255,118	—	—	—	—	535,741
Mortgage-backed securities	—	—	—	358,377	—	—	—	—	358,377
Private placements	387,802	—	—	—	—	—	—	—	387,802
U.S. Treasury obligations	3,027,520	—	—	10,513,307	—	—	—	—	13,540,827
U.S. government agency debt securities	24,010	—	—	—	—	—	—	—	24,010
Receivables (net):									
Investment earnings	159,548	1	651	200,975	5	179	590	118	362,067
Pension contributions	—	295	313	1,747,771	596	33,759	—	—	1,782,734
Investment sale proceeds	210,909	—	—	408,568	—	—	—	—	619,477
Other	—	23	54	366	—	43,454	—	—	43,897
Due from other funds	16,426	—	—	14,793	—	346	—	—	31,565
Due from pension trust funds	—	—	—	891	—	—	—	—	891
Due from component units	13,477	—	—	—	—	—	—	—	13,477
Due from political subdivisions	6,110	—	—	—	—	—	—	—	6,110
Due from other governments	—	—	—	—	—	20,946	—	—	20,946
Depreciable or amortizable capital assets:									
Machinery and equipment	—	—	—	13,249	—	—	—	—	13,249
Other intangible assets	—	—	—	44,621	—	—	—	—	44,621
Less: accumulated depreciation and amortization	—	—	—	(42,983)	—	—	—	—	(42,983)
Net depreciable or amortizable capital assets	—	—	—	14,887	—	—	—	—	14,887
TOTAL ASSETS	40,990,432	79,662	4,819,910	82,525,414	100,239	595,209	811,219	162,424	130,084,509
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 5,709	\$ 2,004	\$ —	\$ 31,389	\$ —	\$ —	\$ —	\$ —	\$ 39,102

Commonwealth of Pennsylvania
Combining Statement of Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds
June 30, 2022

(Amount in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2021)			Public School Employees' Retirement System			Other Postemployment Benefits		Total
	Pension	Defined	Deferred	Pension	Defined	Postemployment	Retired Employees Health Program	Retired Pennsylvania State Police Program	
		Contribution	Compensation		Contribution	Healthcare			
LIABILITIES									
Accounts payable and accrued liabilities	\$ 51,049	\$ 1,192	\$ 1,639	\$ 146,589	\$ 99	\$ 1,825	\$ 25,165	\$ 8,575	\$ 236,133
Investment purchases payable	433,583	1	928	1,357,940	561	—	—	—	1,793,013
Securities lending obligations	240,978	—	—	9,828,590	—	—	164,773	32,991	10,267,332
Due to other funds	—	—	—	582	—	—	—	—	582
Due to pension trust funds	—	—	—	641	608	—	—	—	1,249
Other postemployment benefit liability	23,849	1,507	—	43,939	—	—	—	—	69,295
Net pension liability	—	—	—	61,061	—	—	—	—	61,061
Other liabilities	—	—	—	541,983	—	68,119	—	—	610,102
TOTAL LIABILITIES	749,459	2,700	2,567	11,981,325	1,268	69,944	189,938	41,566	13,038,767
TOTAL DEFERRED INFLOWS OF RESOURCES	15,667	957	—	47,236	—	—	—	—	63,860
NET POSITION									
Restricted and held in trust for:									
Pension benefits	40,231,015	78,009	—	70,528,242	98,971	—	—	—	110,936,237
Postemployment healthcare benefits	—	—	—	—	—	525,265	621,281	120,858	1,267,404
Employee salary deferrals	—	—	4,817,343	—	—	—	—	—	4,817,343
TOTAL NET POSITION	\$ 40,231,015	\$ 78,009	\$ 4,817,343	\$ 70,528,242	\$ 98,971	\$ 525,265	\$ 621,281	\$ 120,858	\$ 117,020,984

Commonwealth of Pennsylvania
Combining Statement of Changes in Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds
For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2021)			Public School Employees' Retirement System			Other Postemployment Benefits		Total
	Pension	Defined	Deferred	Pension	Defined	Postemployment	Retired	Retired	
		Contribution	Compensation		Contribution	Healthcare	Employees Health Program	Pennsylvania State Police Program	
ADDITIONS:									
Contributions:									
Pension:									
Employer	\$ 2,871,253	\$ 11,440	\$ —	\$ 4,997,912	\$ 25,424	\$ 188,660	\$ 418,157	\$ 152,903	\$ 8,665,749
Employee	405,138	22,533	174,321	1,134,051	32,875	409,361	—	—	2,178,279
Transfer in from other plans	—	1,696	63,764	—	—	—	50,000	1,000	116,460
Total contributions	<u>3,276,391</u>	<u>35,669</u>	<u>238,085</u>	<u>6,131,963</u>	<u>58,299</u>	<u>598,021</u>	<u>468,157</u>	<u>153,903</u>	<u>10,960,488</u>
Investment earnings:									
Net increase/(decrease) in									
fair value of investments	5,396,397	7,499	492,786	(1,765,123)	(15,682)	(345)	(110,823)	(21,943)	3,982,766
Interest income	204,996	4	8,333	1,033,862	19	1,071	25	5	1,248,315
Dividend income	159,733	—	—	416,326	5	—	16,402	3,248	595,714
Rental and other income	92,027	—	—	547,142	—	—	98	19	639,286
Total investment activity income (loss)	<u>5,853,153</u>	<u>7,503</u>	<u>501,119</u>	<u>232,207</u>	<u>(15,658)</u>	<u>726</u>	<u>(94,298)</u>	<u>(18,671)</u>	<u>6,466,081</u>
Less: investment expenses									
Investment activity expense	(172,375)	(33)	(1,575)	(525,171)	(155)	(64)	—	—	(699,373)
Net investment earnings (loss)	<u>5,680,778</u>	<u>7,470</u>	<u>499,544</u>	<u>(292,964)</u>	<u>(15,813)</u>	<u>662</u>	<u>(94,298)</u>	<u>(18,671)</u>	<u>5,766,708</u>
Securities lending activities:									
Income	1,891	—	—	54,711	—	—	—	—	56,602
Expenses	(189)	—	—	(28,997)	—	—	—	—	(29,186)
Total securities lending income	<u>1,702</u>	<u>—</u>	<u>—</u>	<u>25,714</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>27,416</u>
Total net investment earnings	<u>5,682,480</u>	<u>7,470</u>	<u>499,544</u>	<u>(267,250)</u>	<u>(15,813)</u>	<u>662</u>	<u>(94,298)</u>	<u>(18,671)</u>	<u>5,794,124</u>
TOTAL ADDITIONS	<u>8,958,871</u>	<u>43,139</u>	<u>737,629</u>	<u>5,864,713</u>	<u>42,486</u>	<u>598,683</u>	<u>373,859</u>	<u>135,232</u>	<u>16,754,612</u>
DEDUCTIONS:									
Benefit payments	3,705,674	—	117,399	7,217,812	—	536,493	413,039	152,332	12,142,749
Refunds of contributions	25,469	—	—	36,560	—	—	—	—	62,029
Transfers to other plans	—	868	173,450	—	—	—	—	—	174,318
Administrative expenses	24,443	3,971	908	49,451	2,161	40,116	6,468	946	128,464
Other expenses	—	—	5,226	—	—	—	—	—	5,226
Distributions to participants	—	783	—	—	3,630	—	—	—	4,413
TOTAL DEDUCTIONS	<u>3,755,586</u>	<u>5,622</u>	<u>296,983</u>	<u>7,303,823</u>	<u>5,791</u>	<u>576,609</u>	<u>419,507</u>	<u>153,278</u>	<u>12,517,199</u>
CHANGE IN PLAN NET POSITION HELD IN TRUST FOR:									
Pension benefits	5,203,285	37,517	—	(1,439,110)	36,695	—	—	—	3,838,387
Postemployment healthcare benefits	—	—	—	—	—	22,074	(45,648)	(18,046)	(41,620)
Employee salary deferrals	—	—	440,646	—	—	—	—	—	440,646
TOTAL CHANGE IN PLAN NET POSITION HELD IN TRUST	<u>5,203,285</u>	<u>37,517</u>	<u>440,646</u>	<u>(1,439,110)</u>	<u>36,695</u>	<u>22,074</u>	<u>(45,648)</u>	<u>(18,046)</u>	<u>4,237,413</u>
NET POSITION, JULY 1, 2021	<u>35,027,730</u>	<u>40,492</u>	<u>4,376,697</u>	<u>71,967,352</u>	<u>62,276</u>	<u>503,191</u>	<u>666,929</u>	<u>138,904</u>	<u>112,783,571</u>
NET POSITION, JUNE 30, 2022	<u>\$ 40,231,015</u>	<u>\$ 78,009</u>	<u>\$ 4,817,343</u>	<u>\$ 70,528,242</u>	<u>\$ 98,971</u>	<u>\$ 525,265</u>	<u>\$ 621,281</u>	<u>\$ 120,858</u>	<u>\$ 117,020,984</u>



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Custodial Funds

CUSTODIAL FUNDS DESCRIPTION

Custodial funds account for assets held by the Commonwealth as an agent for individuals, private organizations, or other governmental units.

Statutory Liquidator Fund - to convert the remaining assets of insolvent insurance companies to cash for remittance to creditors, policyholders, and stockholders in accordance with the order of distribution established in Article V of the Pennsylvania Insurance Department Act of 1921 and on a court approved percentage of claim basis. Although not yet determined, the actual amounts to be paid based on the amount of the remaining assets are expected to be less than the amounts actually claimed by creditors, policyholders, and stockholders.

Local Sales and Use Tax Fund - to collect an additional sales tax remitted by business entities of first class cities in Pennsylvania to the Department of Revenue, as established per Act 6 of 1991. On a monthly basis, the Treasury Department distributes the fund balance to qualified city taxing authorities in accordance with the requirements of the Act.

PA Intergovernmental Cooperation Authority Tax - to collect an income tax imposed on residents of first class cities in Pennsylvania, as established per Act 6 of 1991. On a weekly basis, the Treasury Department distributes the fund balance to the PA Intergovernmental Cooperation Authority.

Tuition Account Investment Program - provides for the advanced purchase of tuition credits for beneficiaries who will attend institutions of higher learning. Contributors enter into a Tuition Account Program Investment contract that authorizes the Treasury to invest funds to pay for future tuition expenses.

Allegheny Regional Asset District Sales and Use Tax Fund - to collect an additional sales tax remitted by Allegheny County business entities to the Department of Revenue, as established per Act 1993-77. On a monthly basis, the Treasury Department distributes the fund balance to qualified County entities in accordance with the requirements of the Act.

Local Cigarette Tax Fund - to collect a local cigarette tax imposed by school districts within the first class cities of Pennsylvania at a rate of \$0.10 per cigarette as authorized by Act 131 of 2014. On a monthly basis, the Treasury Department distributes the fund balance to the school districts in accordance with the requirements of the Act.

Monetary Penalty Endowments Trust - accounts for monetary penalties assessed to higher education institutions. Fund expenditures are made by the Pennsylvania Commission on Crime and Delinquency to support abuse treatment and prevention programs within the Commonwealth.

Custodial Accounts - to account for the assets of patients, residents, inmates and other non-Commonwealth funds for which the Commonwealth is the account custodian.

There are a total of eight individual custodial funds.

Commonwealth of Pennsylvania
Combining Statement of Fiduciary Net Position
Custodial Funds

June 30, 2022

(Amounts in thousands)

	Statutory Liquidator	Local Sales and Use Tax	PA Intergovernmental Cooperation Authority Tax	Tuition Account Investment Program	Allegheny Regional Asset District Sales and Use Tax	Local Cigarette Tax	Monetary Penalty Endowment	Custodial Accounts	Total Custodial Funds
ASSETS									
Cash	\$ —	\$ 98	\$ 6,974	\$ 5,166	\$ 84	\$ —	\$ —	\$ 14,059	\$ 26,381
Cash with fiscal agents	25,094	—	—	—	—	—	—	—	25,094
Temporary investments	47,573	35,858	6,035	—	21,455	2,398	4,239	32,369	149,927
Long-term investments	432,731	—	—	4,074,989	—	—	44,023	—	4,551,743
Receivables (net):									
Taxes	—	34,112	—	—	21,233	31,147	—	—	86,492
Accounts	626,944	99	—	275	46	—	—	4,373	631,737
Investment earnings	2,329	17	14	—	11	2	1	—	2,374
Investment sale proceeds	2,237	—	—	—	—	—	—	—	2,237
Other assets	338,429	—	—	—	—	—	—	878	339,307
TOTAL ASSETS	1,475,337	70,184	13,023	4,080,430	42,829	33,547	48,263	51,679	5,815,292
LIABILITIES									
Accounts payable and accrued liabilities	4,133	3,577	—	2,180	340	46	275	32,120	42,671
Investment purchases payable	—	—	—	1,110	—	—	—	—	1,110
Securities lending obligations	—	—	—	—	—	—	1,837	—	1,837
Due to political subdivisions	—	66,607	13,023	—	42,489	33,501	114	—	155,734
Other liabilities	7,184	—	—	—	—	—	—	—	7,184
TOTAL LIABILITIES	11,317	70,184	13,023	3,290	42,829	33,547	2,226	32,120	208,536
NET POSITION									
Restricted for:									
Tuition Account Investment Program participants	—	—	—	4,077,140	—	—	—	—	4,077,140
Beneficiaries	1,464,020	—	—	—	—	—	46,037	19,559	1,529,616
TOTAL NET POSITION	\$ 1,464,020	\$ —	\$ —	\$ 4,077,140	\$ —	\$ —	\$ 46,037	\$ 19,559	\$ 5,606,756

Commonwealth of Pennsylvania
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds

For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Statutory Liquidator	Local Sales and Use Tax	PA Intergovernmental Cooperation Authority Tax	Tuition Account Investment Program	Allegheny Regional Asset District Sales and Use Tax	Local Cigarette Tax	Monetary Penalty Endowment	Custodial Accounts	Total Custodial Funds
ADDITIONS:									
Investment earnings:									
Net decrease in fair value of investments	\$ (37,823)	\$ —	\$ —	\$ (751,061)	\$ —	\$ —	\$ —	\$ —	\$ (788,884)
Interest earnings	11,076	43	36	212,042	26	5	(4,448)	638	219,418
Total investment activity earnings	(26,747)	43	36	(539,019)	26	5	(4,448)	638	(569,466)
Less investment expenses:									
Investment activity expense	(859)	—	—	—	—	—	—	—	(859)
Net investment earnings	(27,606)	43	36	(539,019)	26	5	(4,448)	638	(570,325)
Total net investment earnings	(27,606)	43	36	(539,019)	26	5	(4,448)	638	(570,325)
Share transactions (net asset value of \$1.00 per share):									
Shares purchased/redeemed (net)	—	—	—	233,885	—	—	—	—	233,885
Net increase in net position from share transactions	—	—	—	233,885	—	—	—	—	233,885
Tax collections for other governments	—	395,484	586,166	—	243,171	57,997	—	—	1,282,818
Member resources	—	—	—	—	—	—	—	115,203	115,203
Other additions	170,266	—	—	—	—	—	—	8,567	178,833
TOTAL ADDITIONS	142,660	395,527	586,202	(305,134)	243,197	58,002	(4,448)	124,408	1,240,414
DEDUCTIONS:									
Administrative expenses	32,642	—	—	8,191	—	—	—	4,296	45,129
Payments of taxes to other governments	—	395,527	586,202	—	243,197	58,002	—	—	1,282,928
Member/claimant distributions	135,478	—	—	—	—	—	—	116,034	251,512
Other expenses	1,909	—	—	—	—	—	2,321	16,265	20,495
TOTAL DEDUCTIONS	170,029	395,527	586,202	8,191	243,197	58,002	2,321	136,595	1,600,064
CHANGE IN FIDUCIARY NET POSITION:									
Tuition Account Investment Program participants	—	—	—	(313,325)	—	—	—	—	(313,325)
Beneficiaries	(27,369)	—	—	—	—	—	(6,769)	(12,187)	(46,325)
TOTAL CHANGE IN FIDUCIARY NET POSITION	(27,369)	—	—	(313,325)	—	—	(6,769)	(12,187)	(359,650)
NET POSITION, JULY 1, 2021	1,491,389	—	—	4,390,465	—	—	52,806	31,746	5,966,406
NET POSITION, JUNE 30, 2022	\$ 1,464,020	\$ —	\$ —	\$ 4,077,140	\$ —	\$ —	\$ 46,037	\$ 19,559	\$ 5,606,756



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Discretely Presented Component Units

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS DESCRIPTION

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable, or other organizations for which the nature and significance of the relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

State Public School Building Authority - issues limited obligation revenue bonds, the proceeds of which are used to finance the construction of facilities for school districts. These bonds are repaid solely from lease/loan payments from the schools.

Philadelphia Shipyard Development Corporation - assists the primary government (PG) and other governmental entities in financing a shipbuilding facility at the former Philadelphia Naval Shipyard. The Philadelphia Shipyard Development Corporation has a December 31, 2021 fiscal year-end.

Ben Franklin Technology Development Authority - promotes economic development through interaction of technology development, modernization and training programs. Industrial resource centers and technology centers, established through the Ben Franklin Technology Development Authority increase Pennsylvania business competitiveness.

Port of Pittsburgh Commission - promotes economic development throughout waterways in southwestern Pennsylvania by constructing and/or financing transportation and recreation facilities.

Pennsylvania Industrial Development Authority - collaborates with local industrial development corporations to make loans that help preserve or expand the work force, assist targeted economic areas, or assist specific companies.

Pennsylvania Convention Center Authority - operates the Pennsylvania Convention Center located in the City of Philadelphia.

Thaddeus Stevens College of Technology (College) - is a premier, residential, two-year, accredited technical college that prepares students for skilled employment in a diverse, ever-changing workforce. The College offers a two-year degree or nine-month certificate, in 24 different programs of study. The Commonwealth appropriates monies for College operations.

Pennsylvania Energy Development Authority (PEDA) - finances clean, advanced energy projects in Pennsylvania. Pennsylvania projects that could potentially qualify for funding from the PEDA include solar energy, wind, low-impact hydropower, geothermal, biomass, landfill gas, fuel cells, IGCC, waste coal, coal-mine methane, and demand management measures. The PEDA presently can award grants, loans, and loan guarantees.

Pennsylvania Health Insurance Exchange Authority (PHIEA) - establishes and operates the Commonwealth's Health Insurance Exchange to provide Pennsylvania residents greater access to more affordable healthcare. The PHIEA has a December 31, 2021 fiscal year-end.

Other - to account for activities of the Pennsylvania Higher Educational Facilities Authority, whose purpose is to facilitate debt issuances for the construction of public/private colleges and universities, and the Pennsylvania Rural Health Redesign Center Authority, commissioned to design and maintain a global payment model for the provision of health services in rural communities. They are presented in aggregate due to the current limited financial scope of these organizations.

There are a total of 17 discretely presented component units (DPCU). The **Pennsylvania Turnpike Commission, Pennsylvania Housing Finance Agency, Pennsylvania Higher Education Assistance Agency, Pennsylvania Infrastructure Investment Authority,** and **State System of Higher Education** are reported as major DPCU's. The Pennsylvania Economic Development Financing Authority is not reported because the only activities for this component unit involve conduit debt.

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Commonwealth of Pennsylvania
Combining Statement of Net Position
 Nonmajor Discretely Presented Component Units
 June 30, 2022

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyard Development Corporation (Dec. 31, 2020)	Ben Franklin Technology Development Authority	Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Pennsylvania Convention Center Authority	Thaddeus Stevens College of Technology	Pennsylvania Energy Development Authority	Pennsylvania Health Insurance Exchange Authority (Dec. 31, 2021)	Other	Total
ASSETS											
Current assets:											
Cash	\$ —	\$ 73	\$ —	\$ —	\$ 480	\$ 30,365	\$ 1,923	\$ —	\$ —	\$ 65	\$ 32,906
Temporary investments	2,734	—	16,871	2,502	210,771	43,015	3,642	230	40,183	—	319,948
Receivables (net):											
Accounts	—	5	—	—	299	4,784	50	—	4,545	533	10,216
Investment earnings	79	—	16	—	—	—	—	—	—	—	95
Interest on notes and loans	15	—	—	—	1,532	—	—	—	—	—	1,547
Loans	1,091	—	—	—	31,793	—	—	—	—	—	32,884
Lease rentals	—	—	—	—	—	117	—	—	—	—	117
Other	9	65	—	2	—	—	485	—	—	—	561
Due from primary government	—	—	—	238	—	—	—	—	—	—	238
Due from Federal Government	—	—	—	171	—	—	—	—	6,442	—	6,613
Inventory	—	—	—	—	—	—	979	—	—	—	979
Prepaid and deferred expenses	—	14	—	—	—	2,445	247	—	—	55	2,761
Total current assets	3,928	157	16,887	2,913	244,875	80,726	7,326	230	51,170	653	408,865
Noncurrent assets:											
Restricted cash	—	—	—	—	—	—	755	—	—	434	1,189
Long-term investments	23,750	—	—	—	—	—	5,247	3,321	—	—	32,318
Receivables (net):											
Loans	4,755	—	53,053	—	262,147	—	—	—	—	—	319,955
Lease rentals	—	—	—	—	—	2,245	—	—	—	—	2,245
Non-depreciable capital assets:											
Land	—	161	—	—	—	994	3,500	—	—	—	4,655
Construction in progress	—	—	—	—	—	30,239	755	—	—	—	30,994
Depreciable or amortizable capital assets:											
Land improvements	—	—	—	—	—	—	11,483	—	—	—	11,483
Buildings and building improvements	—	—	—	—	—	809,927	4,435	—	—	—	814,362
Machinery and equipment	34	—	—	75	—	197,693	13,672	—	—	—	211,474
Library books	—	—	—	—	—	—	386	—	—	—	386
Other capital assets	—	1	—	—	—	—	—	—	—	12	13
Intangible right-to-use leases	—	—	—	123	—	—	17,748	—	—	—	17,871
Less: accumulated depreciation and amortization	(34)	—	—	(93)	—	(494,705)	(13,617)	—	—	(1)	(508,450)
Net depreciable or amortizable capital assets	—	1	—	105	—	512,915	34,107	—	—	11	547,139
Other assets	—	260	—	—	—	3,777	1,465	—	—	—	5,502
Total noncurrent assets	28,505	422	53,053	105	262,147	550,170	45,829	3,321	—	445	943,997
TOTAL ASSETS	32,433	579	69,940	3,018	507,022	630,896	53,155	3,551	51,170	1,098	1,352,862
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 660	\$ —	\$ 389	\$ 284	\$ 1,969	\$ 1,680	\$ 11,068	\$ 45	\$ 6,553	\$ —	\$ 22,648

Commonwealth of Pennsylvania
Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2022

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyard Development Corporation (Dec. 31, 2020)	Ben Franklin Technology Development Authority	Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Pennsylvania Convention Center Authority	Thaddeus Stevens College of Technology	Pennsylvania Energy Development Authority	Pennsylvania Health Insurance Exchange Authority (Dec. 31, 2021)	Other	Total
LIABILITIES											
Current liabilities:											
Accounts payable and accrued liabilities	\$ 43	\$ —	\$ 23	\$ 50	\$ 1,197	\$ 11,614	\$ 3,482	\$ 6	\$ 10,354	\$ 9	\$ 26,778
Securities lending obligations	—	—	—	—	820	—	—	139	—	—	959
Due to primary government	—	—	5	6	7	9,555	—	—	—	600	10,173
Due to other governments	—	—	1	—	1	—	—	—	—	—	2
Interest payable	—	—	—	—	811	—	—	—	—	—	811
Unearned revenue	5	—	—	—	—	2,456	588	—	—	—	3,049
Revenue bonds payable	—	—	—	—	21,115	—	—	—	—	—	21,115
Compensated absences	92	—	—	—	—	—	666	—	69	—	827
Other financing obligations	—	—	—	—	—	1,655	184	—	—	—	1,839
Other postemployment benefit liability	—	—	—	—	—	228	549	—	—	—	777
Lease liability	—	—	—	42	—	—	1,178	—	—	—	1,220
Other liabilities	2	—	—	—	—	—	—	—	—	—	2
Total current liabilities	142	—	29	98	23,951	25,508	6,647	145	10,423	609	67,552
Noncurrent liabilities:											
Due to primary government	—	—	—	—	—	—	—	—	—	1,200	1,200
Revenue bond payable	—	—	—	—	24,278	—	—	—	—	—	24,278
Other financing obligations	—	—	—	—	—	10,911	2,004	—	—	—	12,915
Compensated absences	189	—	—	133	—	—	2,284	—	186	—	2,792
Other postemployment benefit liability	893	—	389	234	760	4,185	22,522	28	3,426	—	32,437
Net pension liability	1,700	—	616	750	677	3,417	16,045	61	3,648	—	26,914
Lease liability	—	—	—	44	—	—	15,501	—	—	—	15,545
Other liabilities	14	260	—	—	—	—	74	—	—	—	348
Total noncurrent liabilities	2,796	260	1,005	1,161	25,715	18,513	58,430	89	7,260	1,200	116,429
TOTAL LIABILITIES	2,938	260	1,034	1,259	49,666	44,021	65,077	234	17,683	1,809	183,981
TOTAL DEFERRED INFLOWS OF RESOURCES	1,782	—	680	483	837	4,595	20,906	163	2,733	—	32,179
NET POSITION											
Net investment in capital assets	—	162	—	19	—	531,933	19,495	—	—	11	551,620
Restricted for:											
Health-related programs	—	—	—	—	—	—	—	—	37,307	—	37,307
Debt service	—	—	—	—	30,629	—	—	—	—	—	30,629
Economic development	—	157	68,615	1,541	—	52,027	—	3,199	—	—	125,539
Other purposes	28,373	—	—	—	—	—	—	—	—	—	28,373
Unrestricted	—	—	—	—	427,859	—	(41,255)	—	—	(722)	385,882
TOTAL NET POSITION (DEFICIT)	\$ 28,373	\$ 319	\$ 68,615	\$ 1,560	\$ 458,488	\$ 583,960	\$ (21,760)	\$ 3,199	\$ 37,307	\$ (711)	\$ 1,159,350

Commonwealth of Pennsylvania
Combining Statement of Activities
 Nonmajor Discretely Presented Component Units
 For the Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyards Development Corporation (Dec. 31, 2021)	Ben Franklin Technology Development Authority	Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Pennsylvania Convention Center Authority	Thaddeus Stevens College of Technology	Pennsylvania Energy Development Authority	Pennsylvania Health Insurance Exchange Authority (Dec. 31, 2021)	Other	Total
Expenses	\$ 893	\$ 192	\$ —	\$ 2,015	\$ 6,544	\$ 79,687	\$ 36,508	\$ —	\$ 55,751	\$ 3,948	\$ 185,538
Program revenues:											
Charges for goods and services	932	200	1,484	—	6,261	9,925	14,115	—	71,568	784	105,269
Operating grants and contributions	304	—	16,654	1,351	(1,566)	38,228	24,451	(330)	19,700	3,391	102,183
Capital grants and contributions	—	65	—	—	—	22,805	3,725	—	—	—	26,595
TOTAL PROGRAM REVENUES	1,236	265	18,138	1,351	4,695	70,958	42,291	(330)	91,268	4,175	234,047
CHANGE IN NET POSITION	343	73	18,138	(664)	(1,849)	(8,729)	5,783	(330)	35,517	227	48,509
TOTAL NET POSITION (DEFICIT), JULY 1, 2021	28,030	246	50,477	2,224	460,337	592,689	(27,543)	3,529	1,790	(938)	1,110,841
TOTAL NET POSITION (DEFICIT), JUNE 30, 2022	\$ 28,373	\$ 319	\$ 68,615	\$ 1,560	\$ 458,488	\$ 583,960	\$ (21,760)	\$ 3,199	\$ 37,307	\$ (711)	\$ 1,159,350



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Statistical Section

Statistical Section Table of Contents**Financial Trends**

These tables illustrate how the Commonwealth's financial position has changed over time by providing information on the Commonwealth's net position, changes in net position, fund balance, and changes in fund balance.

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These tables contain information on the factors that affect the Commonwealth's ability to generate its own-source revenues. The Commonwealth's largest source of revenues is taxes. Information for the three largest tax types is contained within these tables. Personal income, sales, and corporation taxes account for 79% of all general revenues for the June 30, 2022 fiscal year (as reported in the statement of activities).

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Commonwealth of Pennsylvania
Financial Trends

Table 1
Net Position by Component
Last Ten Fiscal Years as of June 30

(Accrual basis of accounting—amounts in thousands)

	2013	2014 (1)	2015 (2)(3)	2016	2017 (4)	2018 (5)	2019	2020 (6)	2021 (9)	2022
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 27,774,808	\$ 28,344,818	\$ 29,177,938	\$ 30,524,584	\$ 31,540,865	\$ 32,975,535	\$ 34,261,559	\$ 34,888,556	\$ 36,091,419	\$ 36,402,101
Restricted for:										
General government operations	1,739	—	35	47	75	197	217,571	205,566	143,211	—
Health-related programs	18,830	16,982	15,412	14,294	13,918	13,133	18,033	33,797	44,623	84,711
Transportation	352,317	298,733	481,202	599,545	724,063	920,443	1,209,807	1,330,256	1,617,159	1,924,507
Unemployment/worker's compensation	499,547	528,908	405,823	468,215	529,416	522,065	655,581	705,073	862,490	831,812
Environmental and conservation programs	512,807	551,972	365,837	318,622	370,188	283,430	308,401	335,978	342,373	351,465
Economic development	—	—	—	—	6,862	5,619	2,907	3,324	4,649	15,059
Gaming licensing/regulation	709,348	651,467	502,589	426,436	400,131	136,002	141,125	—	386,336	893,432
Correctional industries and procurement	52,287	38,976	5,498	6,284	26,422	—	—	—	—	—
Emergency support	52,178	50,535	55,044	65,361	93,002	92,680	110,587	106,856	97,227	107,115
Beneficiaries (7)	—	—	—	—	—	—	—	473,729	479,986	504,060
Human services (8)	—	—	—	—	—	—	—	—	264,167	341,133
Public protection (8)	—	—	—	—	—	—	—	—	8,450	48,800
Other purposes	35,626	57,614	24,019	18,528	—	—	—	—	—	—
Unrestricted	(5,685,524)	(7,658,746)	(17,846,863)	(19,407,921)	(21,275,848)	(42,892,246)	(42,926,794)	(44,708,988)	(37,780,073)	(23,171,439)
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION (DEFICIT)	24,323,963	22,881,259	13,186,534	13,033,995	12,429,094	(7,943,142)	(6,001,223)	(6,625,853)	2,562,017	18,332,756
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	465,161	489,357	504,790	528,443	556,456	600,833	707,080	753,154	769,180	808,232
Restricted for:										
Health-related programs	4,456	5,588	—	—	—	—	—	—	—	—
Transportation	126,986	134,364	136,802	139,029	140,676	136,932	141,160	144,657	144,080	132,341
Capital projects	—	—	—	2	149	182	166	494	1	—
Debt service	4,199	4,199	4,199	4,199	4,200	4,224	4,273	4,240	—	—
Unemployment/worker's compensation	—	—	—	685,191	1,746,563	2,861,392	4,094,675	1,969,190	140,100	1,167,595
Elderly programs	—	—	—	—	—	—	—	—	—	44,566
Economic development (3)	325,269	333,821	5,256	5,102	6,373	13,495	6,073	19,880	27,484	24,648
Emergency support	151,853	156,951	129,459	132,008	127,464	130,377	134,694	133,029	131,166	128,140
Higher Education	29,009	155,638	226,767	218,155	282,773	381,710	465,429	464,775	737,501	477,033
Other purposes	105,929	147,076	116,825	123,408	135,536	133,877	147,636	159,771	167,615	156,333
Unrestricted	(2,412,444)	(1,961,503)	(1,632,295)	(1,395,385)	(2,274,989)	(5,038,475)	(5,387,051)	(4,699,861)	(4,742,564)	(4,353,956)
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION (DEFICIT)	(1,199,582)	(534,509)	(508,197)	440,152	725,201	(775,453)	314,135	(1,050,671)	(2,625,437)	(1,415,068)
PRIMARY GOVERNMENT										
Net investment in capital assets	28,239,969	28,834,175	29,682,728	31,053,027	32,097,321	33,576,368	34,968,639	35,641,710	36,860,599	37,210,333
Restricted for:										
General government operations	1,739	—	35	47	75	197	217,571	205,566	143,211	—
Health-related programs	23,286	22,570	15,412	14,294	13,918	13,133	18,033	33,797	44,623	84,711
Transportation	479,303	433,097	618,004	738,574	864,739	1,057,375	1,350,967	1,474,913	1,761,239	2,056,848
Capital projects	—	—	—	2	149	182	166	494	1	—
Debt service	4,199	4,199	4,199	4,199	4,200	4,224	4,273	4,240	—	—
Unemployment/worker's compensation	499,547	528,908	405,823	1,153,406	2,275,979	3,383,457	4,750,256	2,674,263	1,002,590	1,999,407
Elderly programs	—	—	—	—	—	—	—	—	—	44,566
Environmental and conservation programs	512,807	551,972	365,837	318,622	370,188	283,430	308,401	335,978	342,373	351,465
Economic development (3)	325,269	333,821	5,256	5,102	6,373	19,114	8,980	23,204	32,133	39,707
Gaming licensing/regulation	709,348	651,467	502,589	426,436	400,131	136,002	141,125	—	386,336	893,432
Correctional industries and procurement	52,287	38,976	5,498	6,284	26,422	—	—	—	—	—
Emergency support	204,031	207,486	184,503	197,369	220,466	223,057	245,281	239,885	228,393	235,255
Higher education	29,009	155,638	226,767	218,155	282,773	381,710	465,429	464,775	737,501	477,033
Beneficiaries (7)	—	—	—	—	—	—	—	473,729	479,986	504,060
Human services (8)	—	—	—	—	—	—	—	—	264,167	341,133
Public protection (8)	—	—	—	—	—	—	—	—	8,450	48,800
Other purposes	141,555	204,690	140,844	141,936	135,536	133,877	147,636	159,771	167,615	156,333
Unrestricted	(8,097,968)	(9,620,249)	(19,479,158)	(20,803,306)	(23,550,837)	(47,930,721)	(48,313,845)	(49,408,849)	(42,522,637)	(27,525,395)
TOTAL PRIMARY GOVERNMENT NET POSITION (DEFICIT)	\$ 23,124,381	\$ 22,346,750	\$ 12,678,337	\$ 13,474,147	\$ 13,154,295	\$ (8,718,595)	\$ (5,687,088)	\$ (7,676,524)	\$ (63,420)	\$ 16,917,688

Commonwealth of Pennsylvania

Financial Trends

Table 1

Net Position by Component

Last Ten Fiscal Years as of June 30

Source: The Commonwealth's Annual Comprehensive Financial Report (ACFR), as presented for the applicable fiscal year.

Notes:

(1) For the 2014 fiscal year, the Commonwealth implemented GASB Statement No. 65 requiring the deferral of resources. With the implementation of GASB Statement No. 65, the beginning net position for governmental activities, business-type activities and total primary government was restated. Note B in the notes to the financial statements in the June 30, 2014 ACFR provides additional details on this restatement.

(2) For the 2015 fiscal year, the Commonwealth implemented GASB Statement Nos. 68 and 71, which required the reporting of net pension liability, including the associated deferral of resources. With the implementation of GASB Statement Nos. 68 and 71, the beginning net position for governmental activities, business-type activities and total primary government was restated. Note B in the notes to the financial statements in the June 30, 2015 ACFR provides additional details on this restatement.

(3) Through the 2014 fiscal year, the net position of the Small Business First Fund and the Machinery and Equipment Loan Fund (both proprietary funds) were included within the economic development restricted net position category. Effective November 1, 2014, their operations were transferred to the Pennsylvania Industrial Development Authority, a discretely presented component unit.

(4) For the 2017 fiscal year, the operations of the Pennsylvania eHealth Partnership Authority, reported as a discretely presented component unit in the June 30, 2016 ACFR, were merged into the Commonwealth's primary government, effective July 1, 2016. The operations are reported within the General Fund. With this merger, the beginning net position for governmental activities and total primary government both were restated. Note 18 in the notes to the financial statements in the June 30, 2017 ACFR provides additional details on this restatement.

(5) For the 2018 fiscal year, the Commonwealth implemented GASB Statement No. 75, which established new standards for reporting the liabilities and associated deferral of resources associated with other postemployment benefits provided to employees of state and local governments. With the implementation of GASB Statement No. 75, the beginning net position for governmental activities, business-type activities and total primary government was restated. Note 18 in the notes to the financial statements in the June 30, 2018 ACFR provides additional details on this restatement.

(6) For the 2020 fiscal year, the Commonwealth implemented GASB Statement No. 84, which established new standards for identifying and reporting fiduciary activity. With the implementation of GASB 84, eleven funds, previously reported as agency fund types, were reclassified and are now reported as governmental fund types. Therefore, their net position is reported within the governmental activities caption. With the implementation of GASB 84, the beginning net position for both the governmental activities and total primary government was restated. Note 18 in the notes to the financial statements in the June 30, 2020 ACFR provides additional details on this restatement.

(7) In addition to the restatement described in note (6), the caption "Beneficiaries" was created specifically for any restricted net position for fiduciary assets not held in trust that do not meet the requirements per GASB Statement No. 84 to be reported as custodial funds in the Statement of Fiduciary Net Position. This caption is also for fiduciary assets not held in trust where the primary government has administrative or direct financial involvement. The restricted net position associated with the eleven funds noted in note (6) are reported within this caption. These changes have not been retroactively applied to prior fiscal years.

(8) Beginning with the June 30, 2021 ACFR, human services and public protection were added as captions to further describe the purposes for which the net position was restricted. These were not retroactively applied to prior years.

(9) For the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87, which established new standards for the reporting of leases. With the implementation of GASB Statement No. 87, the beginning net position for governmental activities, business-type activities, and total primary government was restated. Note 18 in the notes to the financial statements in the June 30, 2021 ACFR provides additional details on this restatement.

Commonwealth of Pennsylvania
Financial Trends
Table 2
Changes in Net Position
Last Ten Fiscal Years as of June 30

(Accrual basis of accounting—amounts in thousands)

	2013	2014 (1)	2015 (2)	2016	2017 (4)	2018 (5)	2019	2020 (6)	2021 (7)	2022
GOVERNMENTAL ACTIVITIES										
Expenses:										
Direction and supportive services	\$ 1,528,057	\$ 1,619,894	\$ 1,415,057	\$ 1,366,741	\$ 1,255,577	\$ 1,580,148	\$ 1,649,677	\$ 1,780,658	\$ 1,769,795	\$ 1,696,041
Protection of persons and property	6,010,950	6,216,380	6,659,818	6,750,256	7,011,736	6,839,284	6,997,412	6,288,160	7,069,322	6,499,531
Public education	13,885,466	14,205,019	14,451,280	14,914,554	16,426,782	16,516,828	16,978,293	17,500,801	18,075,619	21,116,364
Health and human services	30,495,970	31,634,286	33,880,187	36,620,781	41,335,410	40,314,856	43,215,757	47,281,732	51,308,190	57,584,051
Economic development	1,032,887	1,005,570	977,910	883,046	1,006,700	930,891	907,959	2,102,195	1,223,545	1,400,383
Transportation	4,764,139	5,204,513	5,751,229	5,943,778	6,365,630	6,193,274	6,472,612	6,234,113	6,117,897	6,190,175
Recreation and cultural enrichment	519,242	522,662	615,175	607,420	626,244	597,073	591,836	614,142	580,986	586,622
Interest	489,401	494,177	266,477	512,324	435,877	520,369	343,572	326,778	324,741	313,102
Total expenses	58,726,112	60,902,501	64,017,133	67,598,900	74,463,956	73,492,723	77,157,118	82,128,579	86,470,095	95,386,269
Program revenues:										
Charges for sales and services:										
Direction and supportive services	363,296	256,820	975,506	424,384	428,813	351,172	385,580	365,256	356,047	417,501
Protection of persons and property	1,380,582	1,348,469	1,350,043	1,539,295	1,571,915	1,895,974	1,940,835	1,935,737	1,997,209	2,049,763
Public education	5,926	5,337	5,102	7,647	6,059	7,175	7,370	5,943	6,639	7,142
Health and human services	1,641,534	1,726,322	1,819,309	1,999,519	2,994,241	3,165,336	3,920,299	3,725,122	4,014,072	4,222,216
Economic development	13,910	6,373	6,695	7,110	6,221	5,582	7,363	124,654	122,681	120,053
Transportation	972,417	1,036,790	1,210,668	1,316,284	1,365,419	1,434,982	1,425,810	1,428,307	1,574,242	1,555,995
Recreation and cultural enrichment	304,903	338,954	274,966	251,242	258,709	250,493	328,164	291,133	296,332	474,946
Operating grants and contributions	22,792,032	22,859,945	24,083,463	26,946,551	30,207,372	29,458,189	31,119,597	35,859,590	42,951,814	52,861,051
Capital grants and contributions	91,603	42,261	32,186	62,360	78,145	30,682	217,056	30,669	96,087	62,997
Total program revenues	27,566,203	27,621,271	29,757,938	32,554,392	36,916,894	36,599,585	39,352,074	43,766,411	51,415,123	61,771,664
Total governmental activities net program revenues/(expenses)	(31,159,909)	(33,281,230)	(34,259,195)	(35,044,508)	(37,547,062)	(36,893,138)	(37,805,044)	(38,362,168)	(35,054,972)	(33,614,605)
General revenues and other changes in net position:										
General revenues:										
Taxes:										
Personal income	10,798,328	10,817,073	11,678,106	12,025,979	12,072,378	12,810,647	13,588,057	13,253,021	14,979,293	17,128,630
Sales and use	9,106,779	9,293,356	9,872,467	10,231,892	10,714,383	10,834,227	11,837,831	11,763,375	13,545,318	14,839,656
Corporation	4,781,555	4,314,093	5,195,882	4,134,991	4,406,000	4,548,567	5,049,323	5,099,250	5,756,494	6,985,824
Liquid fuels and motor carriers	2,058,226	2,349,982	3,017,991	3,303,273	3,583,153	3,846,040	3,830,243	3,445,897	3,624,154	3,659,325
Gaming (1)	1,447,796	1,404,277	1,404,195	1,393,508	1,402,207	1,427,502	1,465,402	1,196,563	1,672,407	2,145,403
Inheritance	796,007	850,221	976,286	947,699	988,569	1,008,382	1,034,367	1,071,513	1,292,139	1,589,343
Cigarette	1,038,605	968,436	954,930	974,267	1,406,189	1,363,371	1,288,162	1,223,918	1,267,940	1,166,615
Realty transfer	396,552	439,797	485,275	564,002	564,030	606,555	628,245	589,838	745,018	994,263
Other	1,353,566	1,499,745	1,459,063	1,350,437	948,200	624,910	723,702	991,947	1,045,357	1,051,834
Total taxes	31,777,414	31,936,980	35,044,195	34,926,048	36,085,109	37,070,201	39,445,332	38,635,322	43,928,120	49,560,893
Investment earnings	12,876	36,311	16,072	16,297	22,977	38,758	66,236	45,409	23,327	19,751
Total general revenues	31,790,290	31,973,291	35,060,267	34,942,345	36,108,086	37,108,959	39,511,568	38,680,731	43,951,447	49,580,644
Transfers from business-type activities	17,275	(103,151)	127,071	(50,376)	833,714	1,834,711	235,395	(486,771)	289,051	(195,300)
Net general revenues and transfers	31,807,565	31,870,140	35,187,338	34,891,969	36,941,800	38,943,670	39,746,963	38,193,960	44,240,498	49,385,344
Total governmental activities change in net position	\$ 647,656	\$ (1,411,090)	\$ 928,143	\$ (152,539)	\$ (605,262)	\$ 2,050,532	\$ 1,941,919	\$ (168,208)	\$ 9,185,526	\$ 15,770,739

Commonwealth of Pennsylvania
Financial Trends
Table 2
Changes in Net Position
Last Ten Fiscal Years as of June 30

(Accrual basis of accounting—amounts in thousands)

	2013	2014 (1)	2015 (2)	2016	2017 (4)	2018 (5)	2019	2020 (6)	2021 (7)	2022
BUSINESS-TYPE ACTIVITIES										
Expenses										
State lottery	\$ 3,732,233	\$ 3,720,574	\$ 4,078,746	\$ 3,967,703	\$ 3,982,011	\$ 4,089,703	\$ 4,498,658	\$ 4,315,251	\$ 5,115,046	\$ 4,927,135
State workers' insurance	365,900	267,991	312,856	286,526	221,245	167,630	132,028	102,667	35,039	41,092
Tuition payment	248,592	277,139	226,330	231,082	336,445	255,056	255,230	289,113	249,403	265,109
Unemployment compensation	4,498,001	3,189,395	2,235,297	2,322,278	2,088,543	1,911,547	1,785,691	21,726,219	25,955,854	4,878,953
Commonwealth Financing Authority	261,428	189,682	162,358	188,604	217,680	253,020	298,466	383,494	340,975	322,203
Liquor control	1,618,065	1,683,185	1,800,698	1,855,594	1,947,038	1,965,637	1,988,873	1,870,198	2,074,485	2,102,729
Economic development and other	41,199	47,212	57,287	54,089	52,211	55,765	76,317	54,205	73,555	80,257
Total expenses	10,765,418	9,375,178	8,873,572	8,905,876	8,845,173	8,698,358	9,035,263	28,741,147	33,844,357	12,617,478
Program revenues										
Charges for sales and services:										
State lottery	3,671,780	3,786,090	3,810,017	4,135,246	4,002,543	4,213,344	4,587,868	4,561,273	5,456,344	5,127,113
State workers' insurance	178,058	207,208	225,660	211,481	184,205	166,029	153,279	115,981	92,344	93,858
Tuition payment	182,555	191,766	191,915	192,187	206,893	205,717	208,814	204,868	209,831	219,530
Unemployment compensation	3,031,318	2,900,976	3,073,915	3,162,555	3,122,318	2,961,853	2,966,174	2,680,334	2,195,551	2,242,600
Commonwealth Financing Authority	10,172	8,463	11,083	9,237	10,497	21,692	15,045	5,917	4,555	4,858
Liquor control	1,747,060	1,803,367	1,880,256	1,956,129	2,046,869	2,116,899	2,169,930	2,078,231	2,343,890	2,439,348
Economic development and other	25,816	25,305	36,170	26,463	29,211	30,511	32,257	33,848	50,022	58,129
Operating grants and contributions	2,166,475	1,048,220	416,322	110,551	361,400	328,832	223,076	17,194,720	22,200,027	3,443,919
Capital grants and contributions	1,128	270	232	—	—	—	3,803	14,398	5,539	3,192
Total program revenues	11,014,362	9,971,665	9,645,570	9,803,849	9,963,936	10,044,877	10,360,246	26,889,570	32,558,103	13,632,547
Total business-type activities net program revenues/(expenses)	248,944	596,487	771,998	897,973	1,118,763	1,346,519	1,324,983	(1,851,577)	(1,286,254)	1,015,069
Other changes in net position										
Special item-loss on transfer of operations (3)	—	—	(157,930)	—	—	—	—	—	—	—
Transfers to governmental activities	(17,275)	103,151	(127,071)	50,376	(833,714)	(1,834,711)	(235,395)	486,771	(289,051)	195,300
Net special items and transfers	(17,275)	103,151	(285,001)	50,376	(833,714)	(1,834,711)	(235,395)	486,771	(289,051)	195,300
Total business-type activities change in net position	231,669	699,638	486,997	948,349	285,049	(488,192)	1,089,588	(1,364,806)	(1,575,305)	1,210,369
Total primary government change in net position	\$ 879,325	\$ (711,452)	\$ 1,415,140	\$ 795,810	\$ (320,213)	\$ 1,562,340	\$ 3,031,507	\$ (1,533,014)	\$ 7,610,221	\$ 16,981,108

Source: The statement of activities, as presented in the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the applicable fiscal year.

Notes:

- (1) Beginning with the 2014 fiscal year, the Commonwealth implemented GASB Statement No. 65. Note B in the notes to the financial statements in the June 30, 2014 ACFR provides additional details on this implementation. The primary effect on this table is that beginning with the 2014 fiscal year, certain assets are now reported as expenses. The changes were not made retroactively.
- (2) Beginning with the 2015 fiscal year, the Commonwealth implemented GASB Statement Nos. 68 and 71. Note B in the notes to the financial statements in the June 30, 2015 ACFR provides additional details on this implementation. The primary effect on this table is that beginning with the 2015 fiscal year, expenses associated with net pension liability and associated deferral of resources are now being reported within this table. The changes were not made retroactively.
- (3) Effective November 1, 2014, the operations of the Small Business First Fund and the Machinery and Equipment Loan Fund (both proprietary funds) were transferred to the Pennsylvania Industrial Development Authority, a discretely presented component unit.
- (4) Beginning with the 2017 fiscal year, the operations of the Pennsylvania eHealth Partnership Authority, reported as a discretely presented component unit in the June 30, 2016 ACFR, were merged into the Commonwealth's primary government, effective July 1, 2016. The operations are reported within the General Fund. Note 18 in the notes to the financial statements in the June 30, 2017 ACFR provides additional details on this implementation. The primary effect on this table is that beginning with the 2017 fiscal year, the activity associated with these operations is being reported within this table.
- (5) Beginning with the 2018 fiscal year, the Commonwealth implemented GASB Statement No. 75. Note 18 in the notes to the financial statements in the June 30, 2018 ACFR provides additional details on this implementation. The primary effect on this table is that beginning with the 2018 fiscal year, expenses associated with other postemployment benefit liabilities and associated deferral of resources are now being reported within this table. The changes were not made retroactively.
- (6) Beginning with the 2020 fiscal year, the Commonwealth implemented GASB Statement No. 84. Note 18 in the notes to the financial statements in the June 30, 2020 ACFR provides additional details on this implementation. The primary effect on this table is that beginning with the 2020 fiscal year, the activity of eleven funds, previously reported as agency funds, are now reported within governmental activities. The changes were not made retroactively.
- (7) Beginning with the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87. Note 18 in the notes to the financial statement in the June 30, 2021 ACFR provides additional details on this implementation. The primary effect on this table is that beginning with the 2021 fiscal year, additional lease related revenues and expenses are reported within governmental activities, business-type activities, and the total primary government. The changes were not made retroactively.

Commonwealth of Pennsylvania

Financial Trends

Table 3

Governmental Fund Type Fund Balances

Last Ten Fiscal Years as of June 30

(Modified accrual basis of accounting-amounts in thousands)

	2013	2014	2015	2016	2017 (2)	2018	2019	2020 (3)	2021 (4)	2022
GENERAL FUND (1)(2)										
Nonspendable	\$ 223,930	\$ 265,403	\$ 247,216	\$ 284,398	\$ 218,343	\$ 201,500	\$ 183,102	\$ 170,248	\$ 103,772	\$ 80,856
Restricted	76	45	36	45	78	1,378	8,791	21,779	206,572	279,639
Committed	1,334,872	1,119,470	1,289,298	1,486,831	2,321,358	2,737,182	2,820,739	3,181,608	3,379,346	5,743,068
Assigned	7,132	—	—	—	—	—	—	—	—	23,458
Unassigned/(deficit)	—	(1,950,956)	(1,262,997)	(1,681,165)	(3,237,347)	(2,126,350)	(2,177,242)	(4,898,838)	(616,664)	7,244,214
TOTAL GENERAL FUND	1,566,010	(566,038)	273,553	90,109	(697,568)	813,710	835,390	(1,525,203)	3,073,026	13,371,235
ALL OTHER GOVERNMENTAL FUNDS (1)(2)										
Restricted reported in:										
Special Revenue funds	3,557,116	3,776,739	3,756,605	3,708,867	3,122,650	3,347,768	4,723,873	5,290,753	7,032,940	8,678,309
Committed reported in:										
Special Revenue funds	374,074	373,185	116,314	159,035	159,374	66,986	107,388	64,077	89,234	101,374
Debt Service funds	37,041	9,221	11,717	23,446	7,240	53,594	14,206	5,158	35,857	18,531
Capital Projects funds	282,094	423,670	1,022,565	566,823	1,179,244	1,659,719	930,615	359,311	924,048	343,340
Unassigned reported in:										
Special Revenue funds (deficit)	(3,167)	—	(1,936)	—	(42,077)	(9,481)	(13,937)	(14,874)	(14,235)	(14,081)
Capital Projects funds (deficit)	—	—	—	—	—	—	—	—	—	(101,882)
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ 4,247,158	\$ 4,582,815	\$ 4,905,265	\$ 4,458,171	\$ 4,426,431	\$ 5,118,586	\$ 5,762,145	\$ 5,704,425	\$ 8,067,844	\$ 9,025,591

Source: The balance sheet-governmental funds statement, as presented in the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the applicable fiscal year.

Notes:

(1) The Cigarette Fire Safety & Firefighter Protection Fund was initially created and reported as a component of the General Fund in the June 30, 2013 ACFR. Based on criteria established by GASB Statement No. 54, it was determined that this fund should have been classified as a special revenue fund. Therefore, this reclassification required the restatement of the General Fund fund balance as well as the fund balance for all other governmental funds. Note B in the notes to the financial statements in the June 30, 2014 ACFR provides additional details on this restatement.

(2) For the 2017 fiscal year, the operations of the Pennsylvania eHealth Partnership Authority, reported as a discretely presented component unit in the June 30, 2016 ACFR, were merged into the Commonwealth's primary government, effective July 1, 2016. The activity is reported within the General Fund. In addition, the Veterans' Trust Fund was initially created and reported as a component of the General Fund in the June 30, 2013 ACFR. Based on criteria established by GASB Statement No. 54, it was determined for the June 30, 2017 ACFR that this fund should have been classified as a special revenue fund. With the merger and the reclassification of the Veterans' Trust Fund, the General Fund and the fund balance for all other governmental funds was restated for the 2017 fiscal year. Note 18 in the notes to the financial statements in the June 30, 2018 ACFR provides additional details on this restatement.

(3) Beginning with the 2020 fiscal year, the Commonwealth implemented GASB Statement No. 84, which affected this table. With the implementation of GASB Statement 84, eleven funds, previously reported as agency fund types, were reclassified as governmental fund types. Two of these fund types were reclassified as components of the General Fund, and the remaining nine were reclassified as special revenue funds. As a result of this implementation, the beginning fund balance of the General Fund as well as the fund balance for all other governmental funds was restated. Note 18 in the notes to the financial statements in the June 30, 2020 ACFR provides additional details on this restatement.

(4) For the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87, which established new standards for the reporting of leases. With the implementation of GASB Statement No. 87, the beginning fund balance of the General Fund as well as the fund balance for all other governmental funds was restated. Note 18 in the notes to the financial statements in the June 30, 2021 ACFR provides additional details on this restatement.

Commonwealth of Pennsylvania

Financial Trends

Table 4

Revenues by Source and Expenditures by Function-All Governmental Fund Types

Last Ten Fiscal Years as of June 30

(Modified accrual basis of accounting-amounts in thousands)

	2013	2014	2015	2016	2017	2018	2019	2020 (3)	2021 (4)	2022
REVENUES BY SOURCE										
Taxes, net of refunds	\$ 31,722,661	\$ 31,696,451	\$ 35,049,415	\$ 35,062,564	\$ 35,804,620	\$ 37,166,942	\$ 39,167,899	\$ 38,514,172	\$ 43,691,592	\$ 49,612,803
Licenses and fees	2,149,402	2,212,222	2,414,048	2,711,573	2,777,557	3,121,904	3,318,825	3,030,191	3,222,811	3,281,098
Intergovernmental	22,683,124	22,543,458	24,083,157	27,130,356	29,734,671	29,257,457	30,975,599	35,761,569	42,832,609	53,357,296
Charges for sales and services	1,839,507	1,920,911	2,793,311	2,129,846	3,099,188	3,342,704	3,695,729	4,244,796	4,523,510	4,855,202
Investment earnings	155,845	270,607	93,756	85,338	218,483	169,233	288,839	239,000	263,633	(235,866)
Other (1)	767,463	486,992	441,176	702,830	739,385	630,784	971,589	614,718	619,034	690,203
TOTAL REVENUES	59,318,002	59,130,641	64,874,863	67,822,507	72,373,904	73,689,024	78,418,480	82,404,446	95,153,189	111,560,736
EXPENDITURES BY FUNCTION										
Direction and supportive services	1,557,306	1,535,593	1,329,707	1,124,931	1,150,808	1,407,098	1,372,559	1,678,050	1,683,432	1,819,631
Protection of persons and property	5,668,261	5,753,876	5,936,010	5,884,950	6,208,519	6,276,949	6,593,861	6,659,007	7,353,320	7,335,540
Health and human services	30,371,117	31,773,484	33,920,750	36,729,441	40,378,702	40,186,060	43,256,755	47,762,894	51,824,805	58,622,297
Public education	13,858,078	14,108,944	14,414,312	14,867,677	16,345,233	16,467,799	16,934,932	17,464,045	18,035,491	21,080,373
Recreation and cultural enrichment	474,966	484,137	544,326	536,873	533,125	559,015	563,846	612,400	623,957	653,267
Economic development	1,028,828	1,000,607	970,286	858,890	983,358	916,074	926,245	2,132,049	1,247,396	1,461,190
Transportation	3,342,421	3,467,088	4,096,439	4,275,308	4,520,863	4,326,573	4,570,221	4,520,671	4,413,571	4,456,006
Capital outlay	2,915,982	2,836,086	2,961,404	3,186,397	2,920,195	3,426,519	3,374,576	3,001,104	3,273,896	3,547,108
Debt service:										
Principal retirement	769,390	761,345	762,425	757,455	768,551	724,720	815,185	835,116	848,100	896,921
Interest and fiscal charges	531,564	554,574	563,326	578,463	582,068	567,924	589,894	555,939	546,099	515,677
TOTAL EXPENDITURES	60,517,913	62,275,734	65,498,985	68,800,385	74,391,422	74,858,731	78,998,074	85,221,275	89,850,067	100,388,010
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,199,911)	(3,145,093)	(624,122)	(977,878)	(2,017,518)	(1,169,707)	(579,594)	(2,816,829)	5,303,122	11,172,726
OTHER FINANCING SOURCES/(USES)										
Bonds issued	950,300	1,295,000	1,460,000	355,000	1,208,725	1,247,000	—	—	1,019,600	—
Refunding bonds issued	361,760	289,946	782,425	633,175	605,170	970,030	886,875	—	495,525	—
Premium on bonds/refunding bonds issued	216,416	203,088	318,957	173,671	242,927	252,698	176,780	—	150,966	—
Discount on bonds issued	—	—	(1,441)	(780)	(2,286)	(1,430)	—	—	(1,831)	—
Other financing obligation proceeds	—	—	—	—	—	201,115	—	—	75,195	—
Premium on other financing obligations	—	—	—	—	—	—	—	—	7,627	—
Transfers in	1,914,421	1,956,242	2,242,290	2,265,296	3,158,742	4,022,068	2,887,453	2,286,787	2,941,128	2,255,785
Transfers out	(1,888,173)	(2,059,393)	(2,115,219)	(2,315,672)	(2,325,028)	(2,187,357)	(2,652,058)	(2,773,558)	(2,652,077)	(2,451,085)
Payment to refunded bond escrow agent	(444,364)	(336,896)	(900,849)	(763,350)	(683,084)	(1,136,887)	(1,059,811)	—	(494,440)	—
Leases and installment purchases	1,965	715	—	—	—	749	1,635	4,605	117,086	278,530
TOTAL OTHER FINANCING SOURCES/(USES)	1,112,325	1,348,702	1,786,163	347,340	2,205,166	3,367,986	240,874	(482,166)	1,658,779	83,230
NET CHANGE IN FUND BALANCES	\$ (87,586)	\$ (1,796,391)	\$ 1,162,041	\$ (630,538)	\$ 187,648	\$ 2,198,279	\$ (338,720)	\$ (3,298,995)	\$ 6,961,901	\$ 11,255,956
Debt Service as a Percentage of Noncapital Expenditures (2)	2.26 %	2.21 %	2.12 %	2.04 %	1.89 %	1.81 %	1.86 %	1.69 %	1.61 %	1.46 %

Source: The statement of revenues, expenditures, and changes in fund balances-governmental funds statement, as presented in the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the applicable fiscal year.

Notes:

(1) Other revenues include immaterial amounts of lease rentals revenues and interest on notes and loans.

(2) Ratio is calculated as principal retirement plus interest and fiscal charges expenditures divided by total expenditures less capital outlay expenditures. There are no expenditures for capitalized assets contained within the functional expenditure categories.

(3) Beginning with the 2020 fiscal year, the Commonwealth implemented GASB Statement No. 84. As noted in Table 3, the Commonwealth restated the governmental fund balances for July 1, 2019. Note 18 in the notes to the financial statements in the June 30, 2020 ACFR provides additional details on this restatement. The primary effect on this table is that beginning with the 2020 fiscal year, the activity of eleven funds, previously reported as agency funds, are now reported as governmental fund types within this table. The changes were not made retroactively.

(4) Beginning with the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87. Note 18 in the notes to the financial statements in the June 30, 2021 ACFR provides additional details on this implementation. The primary effect on this table is that beginning with the 2021 fiscal year, additional lease related financing sources and expenditures are reported within this table. The changes were not made retroactively.

Commonwealth of Pennsylvania
Revenue Capacity-Personal Income Tax
Table 5
Personal Income by Industry
For the Last Ten Calendar Years

(Amounts in millions)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
TOTAL PERSONAL INCOME BY INDUSTRY (1)(2)										
Workplace earnings:										
Farm earnings	\$ 2,059	\$ 2,311	\$ 2,627	\$ 1,691	\$ 862	\$ 1,620	\$ 991	\$ 1,466	\$ 1,066	\$ 1,736
Nonfarm earnings:										
Private earnings:										
Forestry, fishing/hunting, agriculture	682	699	755	842	845	834	864	824	875	809
Mining	4,021	4,477	5,119	3,391	2,193	3,893	3,185	3,256	2,880	2,953
Utilities	3,010	3,129	3,207	3,627	3,746	3,681	3,862	3,790	3,990	3,981
Construction	21,932	22,731	24,722	26,090	26,655	28,729	29,817	31,304	29,364	31,854
Manufacturing	41,946	42,672	43,855	45,331	44,417	46,412	49,726	51,226	49,646	51,414
Wholesale trade	19,939	20,343	21,292	21,567	21,007	21,663	21,935	22,339	22,522	23,455
Retail trade	23,540	23,777	23,805	24,295	24,501	24,639	25,813	26,641	27,368	29,982
Transportation and warehousing	15,803	16,184	17,246	21,009	22,067	23,840	26,945	26,442	27,240	28,908
Broadcasting/publishing/internet technology	22,371	24,774	24,137	23,645	27,075	23,525	23,146	20,290	18,093	19,398
Finance and insurance	24,599	25,423	26,806	27,385	27,501	28,204	28,502	30,076	34,331	36,372
Real estate and rental and leasing	5,550	7,296	7,894	9,078	9,441	9,360	9,313	9,812	10,066	10,552
Professional and technical services	38,893	39,543	41,302	43,513	45,111	47,334	48,938	51,771	52,175	56,214
Management of companies and enterprises	16,121	17,148	17,433	18,435	18,237	19,125	20,211	21,302	19,876	23,115
Administrative services	12,997	13,557	14,135	14,807	14,903	16,063	16,880	17,609	16,961	18,575
Educational services	12,952	13,285	13,798	14,290	15,097	15,269	15,965	16,775	16,909	17,410
Health care and social assistance	56,093	57,778	59,183	61,777	63,580	65,732	69,072	72,040	75,225	77,228
Arts, entertainment, and recreation	4,451	4,558	5,062	5,065	5,654	5,783	6,051	6,101	4,409	5,366
Accommodation and food services	10,014	10,411	10,829	11,451	11,980	12,459	13,099	14,097	10,703	14,198
Other services, except public administration	14,464	14,381	15,187	16,272	16,578	16,849	17,653	18,077	16,666	17,539
Total private earnings	349,378	362,166	375,767	391,870	400,588	413,394	430,977	443,772	439,299	469,323
Government:										
Federal, civilian	9,669	9,411	9,619	9,933	10,138	10,407	10,788	11,042	11,588	11,908
Military	1,509	1,467	1,394	1,370	1,391	1,397	1,418	1,448	1,459	1,494
State government	12,675	13,249	13,421	13,883	14,003	14,126	14,364	14,393	14,768	14,792
Local government	31,529	33,501	33,698	34,227	34,688	34,993	36,085	36,342	36,821	37,332
Total government earnings	55,382	57,628	58,132	59,413	60,220	60,923	62,655	63,225	64,636	65,526
Total nonfarm earnings	404,760	419,794	433,899	451,283	460,808	474,317	493,632	506,997	503,935	534,849
Total workplace earnings	406,819	422,105	436,526	452,974	461,670	475,937	494,623	508,463	505,001	536,585
Other earnings/deductions (3)	180,847	171,577	182,553	191,014	199,490	202,668	219,709	231,429	283,280	296,729
Total personal income	\$ 587,666	\$ 593,682	\$ 619,079	\$ 643,988	\$ 661,160	\$ 678,605	\$ 714,332	\$ 739,892	\$ 788,281	\$ 833,314
Total personal income subject to the direct personal income tax rate (4)(5)	\$ 340,162	\$ 340,150	\$ 357,088	\$ 374,294	\$ 372,576	\$ 395,769	\$ 417,664	\$ 435,400	N/A	N/A
Direct personal income tax rate	3.07%									

Sources:
Personal income by industry is provided by the Bureau of Economic Analysis, US Department of Commerce (www.bea.gov/index.htm) through estimates released September 2022.
Total personal income subject to the direct tax rate was obtained from the Pennsylvania Department of Revenue. The information for the 2019 calendar year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-April 2021 (Fiscal Year 2020-21). The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for April 2021. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.pa.gov.

Notes:
(1) Various calendar years differ from the totals shown in the Commonwealth's Annual Comprehensive Financial Report for June 30, 2021. The amounts shown in the prior year were based on estimates released by the Bureau of Economic Analysis, U.S. Department of Commerce in September 2021. These estimates have subsequently been revised (as provided in the September 2022 release).
(2) Personal income by industry is reported under the North American Industry Classification System.
(3) Other earnings/deductions include dividends, interest and miscellaneous employee/employer contributions/deductions.
(4) Total personal income subject to the direct personal income tax rate consists of taxable compensation, interest, dividends, net profits and other income, prior to the application of various tax credits. This amount is self-assessed by the taxpayer on their tax returns for the tax year. Due to the complexity and length of the tax return filing and review process, the total compilation is not yet available for release by the Pennsylvania Department of Revenue for the 2020 and 2021 tax years.
(5) This information is presented by tax year, rather than by calendar year, as the personal income by industry is presented. An individual filer's tax year is defined as that period for which that person must file a tax return. Generally, many filers have the last day of their filing year fall on December 31st; however, for various reasons, other filers have a filing year that falls on a different date (e.g. March 31st). The information presented is based on those returns of the filers whose tax year ended during the applicable calendar year.

Commonwealth of Pennsylvania
Revenue Capacity- Personal Income tax
Table 6
Personal Income Tax Filers and Liability by Income Level
2010 and 2019 Tax Years

(liability amounts in thousands)

2010 Tax Year (1)(2)(3)(5)					2019 Tax Year (1)(2)(3)(5)				
Taxable Income Level	Number of Filers	Percentage of Total (6)	Personal		Taxable Income Level	Number of Filers	Percentage of Total (6)	Personal	
			Income Tax Liability (4)	Percentage of Total (6)				Income Tax Liability (4)	Percentage of Total (6)
\$0	177,785	2.95 %	\$ —	0.00 %	\$0	271,027	4.14 %	\$ —	0.00 %
\$1-999	433,098	7.19 %	4,824	0.05 %	\$1-9,999	1,478,097	22.56 %	169,848	1.27 %
\$1,000-2,999	399,464	6.64 %	23,764	0.25 %	\$10,000-19,999	759,064	11.58 %	343,358	2.57 %
\$3,000-4,999	304,818	5.06 %	37,053	0.39 %	\$20,000-29,999	634,882	9.69 %	486,392	3.64 %
\$5,000-6,999	253,268	4.21 %	46,380	0.49 %	\$30,000-39,999	574,085	8.76 %	613,748	4.59 %
\$7,000-8,999	212,544	3.53 %	51,989	0.55 %	\$40,000-49,999	457,356	6.98 %	629,239	4.71 %
\$9,000-10,999	189,246	3.14 %	57,983	0.61 %	\$50,000-74,999	785,350	11.98 %	1,480,145	11.07 %
\$11,000-12,999	171,263	2.84 %	63,021	0.66 %	\$75,000-99,999	486,822	7.43 %	1,294,226	9.68 %
\$13,000-14,999	161,176	2.68 %	69,174	0.73 %	\$100,000-249,999	882,622	13.47 %	4,009,036	29.99 %
\$15,000-16,999	150,928	2.51 %	74,046	0.78 %	\$250,000-499,999	157,474	2.40 %	1,625,338	12.16 %
\$17,000-18,999	139,499	2.32 %	77,045	0.81 %	\$500,000-999,999	45,625	0.70 %	939,469	7.03 %
\$19,000-21,999	201,663	3.35 %	126,836	1.33 %	\$1,000,000 or more	20,685	0.32 %	1,775,980	13.29 %
\$22,000-24,999	192,967	3.21 %	139,180	1.46 %					
\$25,000-29,999	296,158	4.92 %	249,557	2.62 %					
\$30,000-34,999	267,762	4.45 %	266,712	2.80 %					
\$35,000-39,999	235,989	3.92 %	271,304	2.85 %					
\$40,000-49,999	395,823	6.57 %	544,361	5.71 %					
\$50,000-74,999	693,176	11.51 %	1,307,937	13.73 %					
\$75,000-99,999	424,292	7.05 %	1,126,108	11.82 %					
\$100,000-149,999	395,757	6.57 %	1,464,911	15.37 %					
\$150,000-249,999	204,597	3.40 %	1,172,514	12.31 %					
\$250,000 or more	119,221	1.98 %	2,353,614	24.70 %					
Total (6)	6,020,494	100.00 %	\$ 9,528,313	100.00 %	Total	6,553,089	100.00 %	\$ 13,366,779	100.00 %

Sources:

For the 2010 tax year, all of the information was provided directly by the Pennsylvania Department of Revenue. For the 2019 tax year, the number of filers per taxable income level and the personal income subject to the direct personal income tax rate per income level (used in the Personal Income Tax Liability estimation) were obtained from the Statistical Supplement for the Pennsylvania Tax Compendium-April 2021 (Fiscal Year 2020-21). The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for April 2021. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.pa.gov.

Notes:

- (1) Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth cannot disclose the names of the ten largest personal income tax filers. Therefore, this schedule is presented as an alternative comparison regarding the sources of the Commonwealth's personal income tax revenue.
- (2) An individual filer's tax year is defined as that period for which that person must file a tax return. Generally, many filers have the last day of their filing year fall on December 31st; however, for various reasons, other filers have a filing year that falls on a different date (e.g. March 31st). This table presents information based on all filers whose tax year ended during the 2010 or 2019 calendar years.
- (3) Due to the complexity and length of the tax return filing and review process, the total compilation of personal income subject to the direct tax rate per income level was not yet available for release by the Pennsylvania Department of Revenue for the 2020 and 2021 tax years. This compilation is used in the calculation of the estimated personal income tax liability. Therefore, the 2010 and 2019 tax years are presented as an alternative comparison.
- (4) The estimated total personal income tax liability is calculated by multiplying the total personal income (as self-assessed by the individual tax filer) for the income level by the tax rate applicable during the tax year. The estimated liability is presented before any applicable tax credits were applied. Beginning with the 2004 tax year, the rate increased to 3.07%. This rate has been in effect for all subsequent tax years.
- (5) Beginning with the 2017 tax year, the captions used by the Pennsylvania Department of Revenue changed. The amounts for the 2010 tax year are reported within the original captions; whereas the amounts reported in the 2019 tax year are reported within the new captions.
- (6) Totals may not foot due to rounding.

**Commonwealth of Pennsylvania
Revenue Capacity-Sales Tax**

**Table 7
Estimated Taxable Sales by Industry Classification of
the Vendor
For the Last Ten Fiscal Years Ended June 30**

(Amounts in thousands)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Estimated Taxable Sales by Industry (1)(2)(3)										
Manufacturing	\$ 7,426,068	\$ 7,391,732	\$ 7,555,033	\$ 6,866,437	\$ 6,852,700	\$ 6,788,750	\$ 7,262,917	\$ 7,466,667	\$ 7,295,000	\$ 8,338,333
Public utilities	4,680,907	4,492,653	4,761,067	4,624,260	4,565,533	4,583,617	4,647,817	4,666,667	4,195,000	4,306,667
Wholesale trade	12,419,575	12,316,835	12,792,633	14,385,888	14,344,567	14,582,100	15,700,450	17,150,000	16,075,000	18,371,667
Building materials	8,878,250	9,039,222	9,158,683	9,515,812	9,906,717	10,125,267	10,484,900	11,416,667	11,511,667	14,971,667
General merchandise	19,354,965	19,879,167	19,969,650	20,713,098	21,196,000	21,704,150	22,933,933	25,933,333	28,121,667	37,091,667
Food and beverage stores	6,440,322	6,580,377	6,575,817	6,605,795	6,901,517	6,836,300	6,862,217	7,200,000	7,200,000	7,841,667
Automotive dealers	4,157,458	4,122,673	4,367,833	4,775,440	4,926,033	4,843,200	4,796,450	5,100,000	4,798,333	5,575,000
Furniture and appliances	5,376,648	5,285,463	5,176,483	5,836,548	6,105,367	6,210,833	6,377,833	6,516,667	6,000,000	7,695,000
Other retail stores	6,408,673	6,447,917	6,414,917	6,228,017	6,459,733	6,849,317	6,808,683	7,050,000	6,583,333	7,915,000
Agriculture and mining	930,587	934,048	906,617	1,178,700	972,767	858,350	991,000	1,133,333	1,035,000	1,076,667
Construction	3,203,795	3,175,267	3,270,033	3,590,792	4,553,317	4,710,583	4,685,267	4,966,667	4,856,667	5,428,333
Service	43,694,423	45,039,627	46,338,883	47,927,008	49,470,517	51,073,967	53,224,817	57,066,667	54,090,000	56,491,667
Transportation, delivery, and warehousing	420,053	472,217	490,583	518,767	562,800	525,000	597,467	650,000	886,667	2,318,333
Government	362,387	305,027	342,117	281,192	295,717	305,767	328,633	350,000	286,667	488,333
Unclassified	1,042,267	1,132,720	1,194,517	755,647	1,417,100	1,607,417	1,684,550	1,050,000	2,205,000	2,513,333
Motor vehicle	19,343,573	19,459,690	20,626,333	22,103,607	22,453,967	22,779,633	23,211,650	24,733,333	22,750,000	30,795,000
Liquor sales	2,064,488	2,153,927	2,219,167	2,311,442	2,268,800	2,356,700	2,424,133	2,500,000	2,408,333	2,693,333
Total sales tax estimated base (4)	\$ 146,204,439	\$ 148,228,562	\$ 152,160,366	\$ 158,218,450	\$ 163,253,152	\$ 166,740,951	\$ 173,022,717	\$ 184,950,001	\$ 180,298,334	\$ 213,911,667
Total direct sales tax rate	6.0 %									

Sources:
Sales tax remittances by industry and total direct sales tax rate (both used in the calculation of estimated taxable sales by industry) are provided by the Pennsylvania Department of Revenue. Sales tax remittances by industry for the 2021 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-April 2021 (Fiscal Year 2020-21). The total direct sales tax rate was obtained from the Pennsylvania Tax Compendium for April 2021. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.pa.gov.

Notes:
(1) Estimated taxable sales are calculated based on sales tax remittances (made by vendors with their tax returns processed during the fiscal year) divided by the direct sales tax rate of 6%.
(2) Estimated taxable sales are organized by major industrial activity of the vendor and do not represent sales by product type. These are presented based on the North American Industry Classification System.
(3) Due to the complexity and length of the tax return filing and review process, the total compilation of sales tax remittances was not yet available for release by the Pennsylvania Department of Revenue for the 2022 fiscal year. Therefore, fiscal years 2012 through 2021 are presented as an alternative comparison.
(4) Totals may not foot due to rounding.

Commonwealth of Pennsylvania

Revenue Capacity-Sales Tax

Table 8

Sales Tax Remittance by Major Industry Classification

Fiscal Years Ended June 30, 2012 and June 30, 2021

(Amounts in thousands)

June 30, 2012 (1)(2)			June 30, 2021 (1)(2)		
Industry (4)	Sales (3) Tax Remittances Liability	Percentage of Total	Industry (4)	Sales (3) Tax Remittances Liability	Percentage of Total
Manufacturing	\$ 445,564	5.08 %	Manufacturing	\$ 500,300	3.90 %
Public utilities	280,854	3.20 %	Public utilities	258,400	2.01 %
Wholesale trade	745,175	8.49 %	Wholesale trade	1,102,300	8.59 %
Building materials	532,695	6.07 %	Building materials	898,300	7.00 %
General merchandise	1,161,298	13.24 %	General merchandise	2,225,500	17.34 %
Food and beverage stores	386,419	4.41 %	Food and beverage stores	470,500	3.67 %
Automotive dealers	249,448	2.84 %	Automotive dealers	334,500	2.61 %
Furniture and appliances	322,599	3.68 %	Furniture and appliances	461,700	3.60 %
Other retail stores	384,520	4.38 %	Other retail stores	474,900	3.70 %
Agriculture and mining	55,835	0.64 %	Agriculture and mining	64,600	0.50 %
Construction	192,228	2.19 %	Construction	325,700	2.54 %
Service	2,621,665	29.89 %	Service	3,389,500	26.41 %
Transportation, delivery, and warehousing	25,203	0.29 %	Transportation, delivery, and warehousing	139,100	1.08 %
Government	21,743	0.25 %	Government	29,300	0.23 %
Unclassified	62,536	0.71 %	Unclassified	150,800	1.17 %
Motor vehicle	1,160,614	13.23 %	Motor vehicle	1,847,700	14.40 %
Liquor sales	123,869	1.41 %	Liquor sales	161,600	1.26 %
Total (5)	\$ 8,772,266	100.00 %	Total (5)	\$ 12,834,700	100.00 %
Sales Tax Licenses (6)	234,709		Sales Tax Licenses (6)	203,473	

Sources:

Sales tax remittances by industry and the number of sales tax licenses are provided by the Pennsylvania Department of Revenue. Sales tax remittances by industry for the 2021 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-April 2021 (Fiscal Year 2020-21). This publication was obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.pa.gov.

Notes:

- (1) Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth cannot disclose the names of the ten largest sales tax filers. Therefore, this schedule is presented as an alternative comparison regarding the sources of the Commonwealth's sales tax revenue.
- (2) Due to the complexity and length of the tax return filing and review process, the total compilation of sales tax remittances was not yet available for release by the Pennsylvania Department of Revenue for the 2022 fiscal year. Therefore, fiscal years 2012 and 2021 are presented as an alternative comparison.
- (3) Sales tax liability is based on sales tax remittances made with tax returns processed during the fiscal year. The direct sales tax rate applicable to both years is 6%.
- (4) Sales tax remittances are organized by major industrial activity of the vendor and does not represent sales by product type. Both years are presented using the North American Industry Classification System (N.A.I.C.S.) Group.
- (5) Totals may not foot due to rounding.
- (6) The Commonwealth does not maintain a list of sales tax filers by the N.A.I.C.S. standard industry grouping, and as noted in Note (1), cannot disclose the names of the ten largest sales tax filers. Therefore, the number of sales tax licenses is presented to indicate the potential number of filers during the applicable fiscal year.

Commonwealth of Pennsylvania
Revenue Capacity- Corporate Tax
Table 9
Corporate Net Income Tax
For the Last Ten Tax Years

	2010	2011	2012	2013	2014	2015	2016 (7)	2017 (6)	2018 (6)	2019 (6)
ESTIMATED CORPORATE NET INCOME TAXABLE BASE (1)(2)										
Corporate Tax Report Compilation (amounts in thousands)	\$ 19,219,761	\$ 18,084,820	\$ 23,948,802	\$ 24,837,562	\$ 27,160,802	\$ 25,454,707	\$ 25,957,854	\$ 25,980,414	\$ 33,038,888	\$ 29,951,425
NUMBER OF FILERS BY CORPORATE NET INCOME TAX LIABILITY RANGE (3)										
\$0	72,996	85,406	86,259	88,486	92,816	94,228	79,863	56,624	52,378	52,890
\$1-300	7,133	6,959	7,029	6,481	6,199	6,214	6,204	9,554	9,209	8,752
\$301-500	1,980	1,932	1,939	1,750	1,797	1,805	1,773	2,657	2,581	2,388
\$501-1,000	2,950	2,963	3,046	2,852	2,796	2,889	2,743	4,191	3,930	3,930
\$1,001-5,000	7,202	6,964	7,528	7,213	7,417	7,344	7,336	9,969	9,968	9,525
\$5,001-10,000	2,566	2,655	2,829	2,786	2,849	2,860	2,848	3,627	3,691	3,540
\$10,001-25,000	2,440	2,445	2,744	2,713	2,970	2,930	2,919	3,708	4,170	4,001
\$25,001-50,000	1,429	1,387	1,559	1,620	1,781	1,770	1,708	2,148	2,452	2,412
\$50,001-100,000	1,082	1,138	1,228	1,262	1,373	1,380	1,366	1,659	1,871	1,874
\$100,001-250,000	956	1,030	1,225	1,207	1,241	1,246	1,293	1,447	1,722	1,620
\$250,001-500,000	448	450	561	538	582	607	575	652	798	764
\$500,001-1,000,000	297	307	379	344	377	355	348	420	476	465
>\$1,000,000	289	273	418	429	462	441	437	410	527	504
Total corporate net income tax filers (4)(5)	101,768	113,909	116,744	117,681	122,660	124,069	109,413	97,066	93,773	92,665
Total direct corporate net income tax rate	9.99%	9.99%	9.99%	9.99%						

Sources:
Information provided by the Pennsylvania Department of Revenue. The direct corporate net income tax rate was obtained from the Pennsylvania Tax Compendium for April 2021. This publication was obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.pa.gov.

Notes:
(1) Pennsylvania is one of only a few states that levy a tax on corporate net income (corporate net income tax - CNIT). This table presents the positive corporate net income tax base, as well as the number of filers associated with this tax by liability range. It also presents the statutory corporate net income tax rate.
(2) The CNIT is based on separate company federal taxable income and includes a number of additions to/subtractions from that base. This table shows the compilation of all reported taxable income (federal income adjusted to the PA base and then apportioned). Many corporations report negative federal taxable income. In addition, the net operating loss deductions that Pennsylvania allows reduce otherwise profitable corporations' incomes below \$0.
(3) Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth cannot disclose the names of the ten largest corporate net income tax filers. Therefore, the schedule of the number of filers by corporate net income tax liability range is presented as an alternative comparison regarding the sources of the Commonwealth's corporate net income tax revenue. Those filers that report negative state taxable income are reported in the tax liability range of \$0, which accounts for the large number of filers within that range.
(4) Due to the complexity and length of the tax return filing and review process, the total compilation of corporate net income subject to the direct corporate tax rate was not yet available for release by the Pennsylvania Department of Revenue for the 2020 and 2021 tax years. Therefore, tax years 2010 through 2019 are presented as an alternative comparison.
(5) The corporate filer's tax year is defined as that period for which it must file a tax return. Though some filers have the last day of their filing year fall on December 31st, many filers have a filing year that falls on a different date (e.g. March 31st). This table presents information based on all filers whose tax year began during the associated calendar years.
(6) For tax years 2010 through 2017, the amounts presented are actual. The amounts presented for the 2017 tax year may differ from the amounts presented in the same table in the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the June 30, 2021 fiscal year, since that amount was an estimate. For the 2018 tax year, the amounts presented are a revised estimate from what was presented in the June 30, 2021 ACFR. And for the 2019 tax year, the amounts presented are an estimate.
(7) The total number of filers for the 2016 tax year decreased by over 14,000 compared to the 2015 tax year. In prior tax years, an entity filing both CSFT and CNIT was considered a C Corporation unless explicitly noted otherwise. For this reason, some non-C corporations that did not completely fill out returns were erroneously considered CNIT filers. With the elimination of the capital stock/foreign franchise tax in the 2016 tax year, these entities stopped filing returns, explaining the drop in the number of C corporations.

Commonwealth of Pennsylvania

Debt Capacity

Table 10

Outstanding Debt and Outstanding Debt Ratios
For the Last Ten Fiscal Years Ended June 30

(Expressed in Thousands, Except Debt per Capita)

PRIMARY GOVERNMENT (1)(2)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities:										
General obligation bonds	\$ 11,821,622	\$ 12,674,929	\$ 12,976,531	\$ 12,517,909	\$ 12,966,490	\$ 13,415,631	\$ 12,490,765	\$ 11,497,176	\$ 11,693,268	\$ 10,667,746
Leases/installment purchase liabilities (5)	125,020	117,961	110,208	103,183	100,054	99,259	96,725	95,226	1,021,798	1,151,333
Other financing obligations	324,860	315,620	285,740	285,740	285,740	502,390	567,052	480,790	536,818	509,961
Total governmental	12,271,502	13,108,510	13,372,479	12,906,832	13,352,284	14,017,280	13,154,542	12,073,192	13,251,884	12,329,040
Business-type activities:										
Demand revenue bonds payable	300,000	166,635	9,565	—	—	—	—	—	—	—
Notes payable	199	—	—	—	—	—	—	—	—	—
Revenue bonds payable	4,635,760	4,381,432	4,182,896	3,681,734	3,893,393	5,319,824	5,086,362	4,417,523	4,627,322	4,480,360
Leases/installment purchase liabilities (5)	—	—	—	—	—	—	—	—	286,037	269,136
Total business-type	4,935,959	4,548,067	4,192,461	3,681,734	3,893,393	5,319,824	5,086,362	4,417,523	4,913,359	4,749,496
TOTAL PRIMARY GOVERNMENT	\$ 17,207,461	\$ 17,656,577	\$ 17,564,940	\$ 16,588,566	\$ 17,245,677	\$ 19,337,104	\$ 18,240,904	\$ 16,490,715	\$ 18,165,243	\$ 17,078,536
Debt as a Percentage of Personal Income (3)(4)	2.93 %	2.97 %	2.84 %	2.58 %	2.61 %	2.85 %	2.55 %	2.23 %	2.30 %	2.05 %
Amount of Debt per Capita (3)(4)	\$ 1,343	\$ 1,374	\$ 1,364	\$ 1,286	\$ 1,335	\$ 1,494	\$ 1,405	\$ 1,269	\$ 1,398	\$ 1,317

Source: The Commonwealth's Annual Comprehensive Financial Report (ACFR), as presented for the applicable fiscal year.

Notes:

(1) Each caption includes the reported current and noncurrent amounts of the outstanding debt.

(2) Details on the Commonwealth's total outstanding debt for June 30, 2022 can be found in Note 6 for both governmental activities and business-type activities.

(3) See Table 14 for summarized totals for personal income and population data that were used in the calculations of these ratios. Personal income detail is presented in Table 5. As detailed in Table 5 or 14 (as appropriate), the personal income and population data have changed in several calendar years from what was presented in those tables in the ACFR for the June 30, 2021 fiscal year. As a result, the calculated ratios based on the data from those calendar years may differ from what was presented in this table in the June 30, 2021 ACFR.

(4) Debt ratios use total outstanding debt which is presented by fiscal year ended June 30, while the personal income and population data used in the calculations are presented by calendar year.

(5) Beginning with the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87. Note 18 in the notes to the financial statement in the June 30, 2021 ACFR provides additional details on this implementation. The primary effect on this table is that beginning with the 2021 fiscal year, additional lease related liabilities are reported within this table. The changes were not made retroactively.

Commonwealth of Pennsylvania

Debt Capacity

Table 11

Ratios of General Obligation Bonded Debt Outstanding

Last Ten Fiscal Years Ended as of June 30

(Amounts in thousands)

Fiscal Year	(1) General Obligation Bonds	(2) Percentage of Actual Tax Revenues	(3) Per Capita
2013	\$ 11,821,622	37.20%	\$ 920
2014	12,674,929	39.69%	986
2015	12,976,531	37.03%	1,007
2016	12,517,909	35.84%	969
2017	12,966,490	35.93%	1,003
2018	13,415,631	36.19%	1,033
2019	12,490,765	31.67%	962
2020	11,497,176	29.76%	886
2021	11,693,268	26.62%	897
2022	10,667,746	21.52%	821

Sources:

Information was obtained from the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the applicable fiscal year. General obligation bonds can be found in the statement of net position, and the tax revenues used in the percentage of actual tax revenues can be found in the statement of activities.

Notes:

(1) General obligation bonds amounts include the reported current and noncurrent amounts.

(2) The Commonwealth's general obligation bonds are expected to be repaid with general tax revenues. Therefore, the total taxes shown in the governmental activities section of the statement of activities are used in this calculation.

(3) General obligation bond amounts used in the per capita calculation are presented as of the fiscal year end. The population data used in the calculation is shown in Table 14, and is as of July 1 of the applicable fiscal year. As detailed in Table 14, the population data has changed in several calendar years from what was presented in that table in the Commonwealth's ACFR for the June 30, 2021 fiscal year. As a result, the calculated ratios based on the data from those calendar years may differ from what was presented in this table in the June 30, 2021 ACFR.

Commonwealth of Pennsylvania

Debt Capacity

Table 12

Computation of Legal Debt Margin

As of August 31 for the Last Ten Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Average annual tax revenues deposited in the previous five fiscal years	\$34,173,780,183	\$35,048,322,844	\$36,290,613,411	\$37,326,634,317	\$38,281,016,071	\$39,318,865,371	\$40,738,613,073	\$41,212,144,284	\$43,007,553,352	\$45,683,741,181
Constitutional factor	x 1.75									
Constitutional debt limit for debt incurred without the approval of the electors (A)	59,804,115,320	61,334,564,977	63,508,573,469	65,321,610,054	66,991,778,124	68,808,014,400	71,292,572,878	72,121,252,497	75,263,218,366	79,946,547,067
Less outstanding net debt (non-electorate approved)	9,331,058,456	9,960,500,105	10,640,300,242	11,423,804,500	10,590,276,500	10,999,114,101	10,222,540,310	9,571,847,906	9,732,967,835	8,971,687,854
Legal debt margin (B)	\$50,473,056,864	\$51,374,064,872	\$52,868,273,227	\$53,897,805,554	\$56,401,501,624	\$57,808,900,299	\$61,070,032,568	\$62,549,404,591	\$65,530,250,531	\$70,974,859,213
Total outstanding net debt applicable to the constitutional limit as a percentage of the constitutional limit	15.60 %	16.24 %	16.75 %	17.49 %	15.81 %	15.99 %	14.34 %	13.27 %	12.93 %	11.22 %

Source: The Governor's Budget Office

Notes:

(A) The formula for the legal debt limit is contained in Article VIII, Section 7(a) of the Pennsylvania Constitution, which provides:

No debt shall be incurred by or on behalf of the Commonwealth except by law and in accordance with the provisions of this section.

(1) Debt may be incurred without limit to suppress insurrection, rehabilitate areas affected by man-made or natural disaster, or to implement unissued authority by the electors prior to the adoption of this article.

(2) The Governor, State Treasurer and Auditor General, acting jointly, may (i) issue tax anticipation notes having a maturity within the fiscal year of issue and payable exclusively from revenues received in the same fiscal year, and (ii) incur debt for the purpose of refunding other debt, if such refunding debt matures within the term of the original debt.

(3) Debt may be incurred without limit for purposes specifically itemized in the law authorizing such debt, if the question whether the debt shall be incurred has been submitted to the electors and approved by a majority of those voting on the question.

(4) Debt may be incurred without the approval of the electors for capital projects specifically itemized in a capital budget if such debt will not cause the amount of all net debt outstanding to exceed one and three-quarters times the average of the annual tax revenues deposited in the previous five fiscal years as certified by the Auditor General. For the purposes of this subsection, debt outstanding shall not include debt incurred under clauses (1) and (2)(i), or debt incurred under clause (2)(ii) if the original debt would not be so considered, or debt incurred under subsection (3) unless the General Assembly shall so provide in the law authorizing such debt.

(B) Each of the above figures used in the calculation of the legal debt margin are abstracted from a certification of the Auditor General dated August 31 of the subsequent fiscal year.

Commonwealth of Pennsylvania
Demographic and Economic
Table 13
Employment by Nonfarm Related Industry
For the Last Ten Calendar Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Employment by nonfarm related industry (1)(2)(3):										
Total nonfarm:										
Private earnings:										
Goods producing:										
Natural resources and mining	37,100	36,000	37,800	34,000	25,000	26,700	28,700	28,900	23,200	21,800
Construction	224,300	223,900	229,000	235,400	239,100	249,000	255,700	261,000	241,400	253,000
Manufacturing	568,100	565,500	568,500	568,900	560,700	562,800	570,800	574,700	537,200	542,600
Total goods producing	829,500	825,400	835,300	838,300	824,800	838,500	855,200	864,600	801,800	817,400
Service providing:										
Trade	1,093,300	1,094,900	1,105,000	1,116,600	1,121,200	1,120,600	1,126,800	1,126,900	1,063,000	1,106,200
Information	90,600	88,000	85,600	85,200	84,700	84,500	86,300	87,500	83,400	86,200
Financial Activities	309,500	313,300	315,400	316,300	317,300	321,100	326,000	331,000	326,500	327,100
Professional and business services	736,100	751,000	764,600	782,600	796,600	801,800	805,700	814,400	769,400	798,100
Education and health services	1,156,400	1,163,000	1,180,600	1,192,100	1,218,600	1,245,500	1,274,500	1,295,500	1,228,400	1,226,100
Leisure and hospitality	524,200	532,200	537,600	545,300	557,400	566,700	571,800	577,900	424,200	477,400
Other services	254,200	252,100	253,200	254,400	259,100	259,300	260,400	261,900	223,400	236,000
Total service providing	4,164,300	4,194,500	4,242,000	4,292,500	4,354,900	4,399,500	4,451,500	4,495,100	4,118,300	4,257,100
Total private earnings	4,993,800	5,019,900	5,077,300	5,130,800	5,179,700	5,238,000	5,306,700	5,359,700	4,920,100	5,074,500
Government	732,300	720,700	711,400	704,700	703,300	703,200	703,000	706,300	684,800	676,100
Total nonfarm	5,726,100	5,740,600	5,788,700	5,835,500	5,883,000	5,941,200	6,009,700	6,066,000	5,604,900	5,750,600

Source: Information obtained from the Pennsylvania Department of Labor and Industry-Center for Workforce Information & Analysis website (www.paworkstats.pa.gov).

- Notes:**
- (1) Due to statutory requirements (confidentiality provisions), the Commonwealth cannot disclose the number employed by the ten largest employers. As an alternative comparison, this schedule presents the number employed by nonfarm related industries. The ten largest employers are nonfarm related; therefore, the number employed by those employers could be expected to fall within this schedule. Farming related employment is not included on this schedule because most farms are not large enough to be required to provide the necessary data to the Pennsylvania Department of Labor and Industry.
 - (2) Various calendar years may differ from the totals presented in the same table in the June 30, 2021 ACFR, as a result of revised data provided on the Center for Workforce Information & Analysis website.
 - (3) Totals may not foot due to rounding.

Commonwealth of Pennsylvania
Demographic and Economic

Table 14

Population and Per Capita Personal Income
 For the Last Ten Calendar Years

Calendar Year	Population (1) (Expressed in thousands)			Personal Income (2) (Expressed in millions)			Per Capita (3) Personal Income			Pennsylvania rate percentage above/(below) U.S.
	Pennsylvania	United States	Pennsylvania as % of U.S.	Pennsylvania	United States	Pennsylvania as % of U.S.	Pennsylvania	United States		
2012	12,816	314,344	4.08 %	\$ 587,666	\$ 14,003,346	4.20 %	\$ 45,855	\$ 44,548	2.93 %	
2013	12,847	316,735	4.06 %	593,682	14,189,228	4.18 %	46,213	44,798	3.16 %	
2014	12,880	319,270	4.03 %	619,079	14,969,527	4.14 %	48,063	46,887	2.51 %	
2015	12,899	321,829	4.01 %	643,988	15,681,233	4.11 %	49,927	48,725	2.47 %	
2016	12,918	324,368	3.98 %	661,160	16,092,713	4.11 %	51,181	49,613	3.16 %	
2017	12,945	326,623	3.96 %	678,605	16,837,337	4.03 %	52,421	51,550	1.69 %	
2018	12,981	328,542	3.95 %	714,332	17,671,054	4.04 %	55,030	53,786	2.31 %	
2019	12,991	330,233	3.93 %	739,892	18,575,467	3.98 %	56,952	56,250	1.25 %	
2020	12,990	331,501	3.92 %	788,281	19,812,171	3.98 %	60,685	59,765	1.54 %	
2021	12,964	331,894	3.91 %	833,314	21,288,709	3.91 %	64,279	64,143	0.21 %	

Sources: Population data is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce website at <http://www.bea.gov/index.htm>, whose source is the U.S. Bureau of Census' mid-year population estimate. Personal income details can be found in Table 5.

Notes:

- (1) Population data is presented as of July 1 of the calendar year. The U.S. Bureau of Census' mid-year population estimate include revisions to the annual population estimate back to the calendar year of the most recent Census (2010 calendar year). Therefore, the totals shown may differ from what was presented in the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the June 30, 2021 fiscal year.
- (2) Personal income data is provided as of the calendar year. Various calendar years differ from the totals presented in the June 30, 2021 ACFR. See Table 5 for details.
- (3) As a result of changes noted in Notes (1) and (2), the Per Capita Personal Income may differ from what was presented in the June 30, 2021 ACFR.

Commonwealth of Pennsylvania
Demographic and Economic

Table 15

Employment Information
 For the Last Ten Calendar Years

(Expressed in thousands)

Calendar Year	Pennsylvania (1)				United States				Pennsylvania rate percentage above/(below) U.S.
	Civilian Labor Force	Employed	Unemployed	Unemployment Rate	Civilian Labor Force	Employed	Unemployed	Unemployment Rate	
2012	6,449	5,955	494	7.7 %	154,975	142,469	12,506	8.1 %	(4.94)%
2013	6,420	5,962	458	7.1 %	155,389	143,929	11,460	7.4 %	(4.05)%
2014	6,389	6,010	379	5.9 %	155,922	146,305	9,617	6.2 %	(4.84)%
2015	6,423	6,076	347	5.4 %	157,130	148,834	8,296	5.3 %	1.89 %
2016	6,459	6,115	344	5.3 %	159,187	151,436	7,751	4.9 %	8.16 %
2017	6,485	6,162	323	5.0 %	160,320	153,337	6,982	4.4 %	13.64 %
2018	6,500	6,210	290	4.5 %	162,075	155,761	6,314	3.9 %	15.38 %
2019	6,561	6,267	294	4.5 %	163,539	157,538	6,001	3.7 %	21.62 %
2020	6,483	5,894	589	9.1 %	160,742	147,795	12,948	8.1 %	12.35 %
2021	6,406	5,999	407	6.3 %	161,204	152,581	8,623	5.4 %	16.67 %

Sources: Information was obtained from the Center for Workforce Information & Analysis, Pennsylvania Department of Labor and Industry website at www.paworkstats.geosolinc.com.

Notes:

- (1) Various calendar years may differ from the totals presented in the same table in the June 30, 2021 ACFR, as a result of revised data provided on the Center for Workforce Information & Analysis website.

Commonwealth of Pennsylvania

Operating Information

Table 16

Commonwealth Employees by Function and Agency

For the Last Ten Calendar Years Ended June 30

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Direction and supportive services										
Legislative	2,784	2,749	2,716	2,596	2,583	2,564	2,701	2,509	2,522	2,541
Revenue	1,883	1,867	1,902	1,869	1,880	1,856	1,651	1,670	1,571	1,539
Executive Offices	1,612	1,554	1,496	1,429	1,441	1,460	2,900	2,834	2,687	2,826
General Services	993	950	926	863	866	834	835	829	817	819
Auditor General	475	475	472	463	469	448	454	384	373	359
Treasurer	386	373	353	345	357	373	371	362	337	333
Other	268	256	248	239	230	1,549	118	329	320	337
Total direction and supportive services	8,401	8,224	8,113	7,804	7,826	9,084	9,030	8,917	8,627	8,754
Protection of persons and property										
Corrections	15,398	15,177	15,197	15,340	15,374	15,367	16,693	16,320	16,098	15,705
State Police	5,938	6,139	6,344	6,372	6,210	6,079	6,280	6,360	6,281	6,359
Liquor Control Board	5,007	5,086	5,093	5,166	5,424	5,358	5,350	5,363	5,592	5,754
Environmental Protection	2,616	2,522	2,491	2,412	2,411	2,319	2,305	2,350	2,290	2,381
Judiciary	2,150	2,171	2,160	2,179	2,178	2,090	2,072	2,028	2,008	2,004
Transportation	1,191	1,188	1,189	1,193	1,174	1,167	1,282	1,268	1,342	1,363
Probation and Parole Board	1,199	1,217	1,228	1,267	1,268	1,285	—	—	—	—
Agriculture	952	914	921	884	868	843	859	849	823	805
Attorney General	810	836	840	836	859	857	934	951	948	969
Military and Veterans Affairs	467	486	474	486	500	490	483	509	509	547
State	492	489	485	479	492	484	516	505	511	500
Other	1,844	1,827	1,782	1,729	1,713	1,692	1,710	1,719	1,735	1,725
Total protection of persons and property	38,064	38,052	38,204	38,343	38,471	38,031	38,484	38,222	38,137	38,112
Public education										
Education	514	499	488	474	475	438	448	453	449	432
Total public education	514	499	488	474	475	438	448	453	449	432
Health and human services										
Human Services	16,504	16,643	16,829	17,164	16,914	16,064	16,013	15,971	15,501	14,788
Labor and Industry	4,140	4,037	3,785	3,674	3,108	2,837	2,908	3,253	3,336	3,158
Military and Veterans Affairs	1,924	1,961	1,949	1,959	1,923	1,925	1,884	1,952	1,939	1,886
Health	1,331	1,281	1,236	1,249	1,282	1,117	1,134	1,164	1,265	1,303
Other	252	284	301	290	279	277	263	278	253	268
Total health and human services	24,151	24,206	24,100	24,336	23,506	22,220	22,202	22,618	22,294	21,403
Economic development										
Labor and Industry	919	897	903	908	910	867	864	818	780	751
Community and Economic Development	321	313	307	299	298	283	288	290	278	294
Total economic development	1,240	1,210	1,210	1,207	1,208	1,150	1,152	1,108	1,058	1,045

Commonwealth of Pennsylvania

Operating Information

Table 16

Commonwealth Employees by Function and Agency

For the Last Ten Calendar Years Ended June 30

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Transportation										
Transportation	10,695	10,609	10,480	10,490	10,522	10,230	10,551	10,406	10,401	10,151
Total transportation	10,695	10,609	10,480	10,490	10,522	10,230	10,551	10,406	10,401	10,151
Recreation and cultural enrichment										
Conservation and Natural Resources	2,392	2,407	2,425	2,387	2,396	2,278	2,245	2,216	2,194	2,153
Game Commission	769	797	781	725	683	705	696	728	753	783
Fish and Boat Commission	448	433	416	432	426	409	402	403	435	471
Historical and Museum Commission	214	222	218	205	205	201	198	195	182	183
Other	43	41	42	41	40	40	43	45	40	43
Total recreation and cultural enrichment	3,866	3,900	3,882	3,790	3,750	3,633	3,584	3,587	3,604	3,633
Total Commonwealth Employees	86,931	86,700	86,477	86,444	85,758	84,786	85,451	85,311	84,570	83,530

Source: Employees for the Legislature, Judiciary, Auditor General, Treasury and Attorney General were provided by the individual agency. All other agencies fall within the Governor's jurisdiction and were provided by the Office of Administration.

Commonwealth of Pennsylvania

Operating Information

Table 17

Operating Indicators by Function and Agency

For the Last Ten Years Ended June 30

	2013	2014	2015	2016	2017	2018	2019	2020	2021 (5)	2022 (5)
Direction and supportive services:										
Executive Offices										
Juvenile Court Judges' Commission										
Juveniles arrested for violent crimes (1)	3,348	2,965	2,669	2,609	2,840	2,400	2,471	1,568	1,028	1,018
Protection of persons and property:										
Attorney General										
Total drug arrests	1,373	1,600	1,727	1,239	1,197	1,413	1,638	1,301	1,153	1,296
Consumer complaints concerning business practices investigated and mediated	34,382	36,473	26,591	20,736	20,230	22,976	25,774	27,327	25,286	27,000
Corrections										
Inmates	51,382	51,118	50,366	49,913	48,510	48,353	46,482	42,101	37,748	38,953
Military and Veterans Affairs										
Pennsylvania National Guard End Strength Ceiling	19,301	19,708	19,969	19,699	19,615	18,919	18,330	17,926	18,839	18,361
Personnel receiving training at Fort Indiantown Gap	126,427	136,801	126,722	124,264	120,208	163,494	151,716	121,980	107,124	102,198
Revenue										
Households provided property tax or rent assistance (2)	598,075	569,135	580,729	567,280	559,025	547,994	531,995	828,226	149,570	444,119
Judiciary										
Caseload (cases filed/reopened/appeals) (1)	3,514,214	3,495,265	3,299,021	3,273,085	3,134,994	3,290,613	3,196,261	3,184,937	2,198,502	2,450,079
Public education:										
Higher Education										
Full-Time Equivalent Enrollments at State-Supported Institutions of Higher Education:										
State System of Higher Education	107,012	104,458	102,322	99,870	97,477	94,243	90,224	87,802	87,973	78,702
Community Colleges	97,981	94,051	89,807	86,185	81,941	80,270	76,596	75,898	69,713	65,825
State-Related Universities	160,589	161,442	164,075	165,654	170,461	171,295	168,875	159,029	160,112	156,380
Non-State Related Universities and Colleges	806	858	842	865	1,040	1,122	1,350	1,467	1,310	1,350
Health and human services:										
Aging and Long-Term Living										
Comprehensive PACE/PACENET Program:										
Older Pennsylvanians enrolled (average)	288,645	275,390	268,805	256,622	245,231	233,006	228,988	224,683	208,980	205,944
Prescriptions per year	9,739,080	9,040,508	8,381,953	7,565,493	6,775,596	6,248,623	5,524,599	4,828,439	4,222,277	3,917,638
Health										
Vital events (births, deaths, fetal deaths) registered (1)	272,054	271,697	269,203	272,623	273,888	275,255	270,096	286,805	289,038	275,629
Human Services										
Persons participating in Medical Assistance (monthly average)	2,123,710	2,147,889	2,354,542	2,716,782	2,852,697	2,907,652	2,886,140	2,882,000	3,186,000	3,451,000
Persons receiving cash assistance (monthly average)	180,235	165,794	160,490	143,765	126,283	111,594	97,310	86,952	69,403	62,939
Community Mental Health Services										
Total persons provided mental health services	720,079	696,834	735,002	765,867	774,303	798,265	810,396	765,214	779,302	859,579
Persons receiving Intellectual Disability services	53,613	53,648	54,075	54,675	55,172	55,667	56,366	56,954	56,646	61,000
Economic development:										
Labor and Industry										
Total occupational and industrial inspections performed	81,718	82,800	74,778	67,600	79,478	78,754	73,944	57,770	68,997	65,600
Vocational Rehabilitation-Eligible participants with active plans	52,354	52,000	52,500	41,579	39,771	49,495	53,074	42,391	34,708	40,000
Transportation:										
Transportation										
Miles of State maintained highways (3)	39,792	39,760	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Passengers carried by State-assisted operators (millions annually)	435	430	426	426	404	397	387	299	143	145

Commonwealth of Pennsylvania

Operating Information

Table 17

Operating Indicators by Function and Agency

For the Last Ten Years Ended June 30

	2013	2014	2015	2016	2017	2018	2019	2020	2021 (5)	2022 (5)
Highway and Bridge Construction/Reconstruction/Maintenance										
Total miles of state maintained highways improved	4,956	3,954	5,060	5,291	5,305	6,156	5,185	6,141	3,093	5,550
Bridges rehabilitated/repaired	291	220	253	415	556	402	171	181	119	192
Bridges preserved	193	209	265	216	248	229	181	191	175	327
Recreation and cultural enrichment:										
Conservation and Natural Resources										
State park attendance (visitor days per calendar year / thousands annually)	36,400	38,000	37,900	40,500	40,600	38,800	37,400	40,700	46,600	40,700
Fish and Boat Commission										
Fishing licenses sold	852,944	859,863	841,419	837,324	841,743	800,248	765,983	777,087	934,259	860,126
Game Commission										
Hunting licenses sold	925,000	952,989	943,836	935,767	914,244	885,564	855,546	860,798	887,211	904,955
Historical and Museum Commission										
Records maintained by the State Records Center	239,002	257,444	266,853	265,521	237,492	237,370	236,972	233,914	228,735	227,364
Annual ticketed visitors to commission historical sites and museums (in thousands) (4) ...	260	327	384	377	332	347	316	226	19	120

Sources: Governor's Office of the Budget, Comptroller Offices, various agencies

Notes:

(1) Amounts are presented as of December 31.

(2) Property Tax and Rent Assistance rebate payments for claim year 2019 were accelerated from fiscal year 2020-21 into fiscal year 2019-20 in order to assist households during the COVID-19 pandemic.

(3) Beginning with the 2015 fiscal year this figure is a rounded estimate.

(4) Annual ticketed visitors to commission historical sites and museums decreased significantly in the 2019-20 and 2020-21 fiscal years due to the COVID-19 pandemic.

(5) For the latest fiscal year, a majority of the indicators presented are estimates. For the immediately previous fiscal year, the amounts that were presented as estimates in the Commonwealth's ACFR for the June 30, 2021 fiscal year have been revised. Therefore, the amounts shown may differ from what was presented in the June 30, 2021 ACFR.

Commonwealth of Pennsylvania

Operating Information

Table 18

Capital Asset Information by Function and Agency
For the Last Ten Fiscal Years Ended June 30

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
GOVERNMENTAL ACTIVITIES										
Direction and supportive services:										
Department of General Services										
Number of buildings	116	115	115	115	115	115	115	114	114	114
Total pieces of machinery and equipment	134	141	147	138	144	156	187	152	155	198
Capital and Agency projects in design and/or construction (1)	799	767	647	315	258	231	281	293	310	287
Vehicles in fleet	14,704	14,542	14,253	14,555	14,674	14,981	15,138	15,375	15,665	15,640
Protection of persons and property:										
Department of Corrections										
State Correctional Institutions (2)	26	26	26	26	25	25	25	25	25	24
State Police										
Patrol vehicles	2,182	2,182	2,182	2,182	2,197	2,282	2,282	2,282	2,322	2,497
Police stations and/or troop headquarters (2)	26	26	26	26	26	26	26	26	26	25
Department of Military and Veterans Affairs										
Number of National Guard readiness centers (3)	157	125	121	116	123	122	120	119	116	115
Public education:										
State System of Higher Education (SSHE)-Component Unit										
Number of SSHE universities using Commonwealth owned buildings and land (3)	14	14	14	14	14	14	14	14	14	14
Health and human services:										
Department of Human Services										
Total number of hospital or treatment center complexes (2)	17	17	17	17	16	16	15	15	15	15
Transportation:										
Department of Transportation										
Total pieces of equipment	8,128	8,242	8,388	8,559	8,928	9,344	9,481	9,806	9,884	10,104
Total lane miles of highways (state or locally maintained) (4)	117,681	117,760	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000
Recreational and cultural enrichment:										
Department of Conservation and Natural Resources										
Acres of land in state parks and forests (in millions)	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Game Commission										
Acres of game lands (in millions)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Fish Commission										
Public boat launches	271	271	271	271	271	271	277	277	277	277
Total number of fish hatcheries	15	15	15	15	15	15	15	15	14	14
Historical and Museum Commission										
Museums and historic sites	39	37	37	34	30	29	28	28	28	26
Economic development:										
Department of Labor and Industry										
Square footage of rehabilitation centers owned by the Commonwealth	469,065	469,065	469,065	469,065	469,065	469,065	469,065	469,065	469,065	469,065

Sources: Governor's Office of the Budget, Comptroller Offices and various agencies.

- Notes:
- (1) Beginning with the 2016 fiscal year, only projects that are actively being designed and/or constructed are included.
 - (2) State Correctional Institutions, police station/troop headquarters and hospital/treatment center complexes include nondepreciable capital assets (e.g. land) and depreciable assets (e.g. machinery and equipment, buildings, improvements, etc.).
 - (3) The State System of Higher Education (SSHE) is a discretely presented component unit. However, each of its universities uses land, buildings, and improvements which were purchased by the Commonwealth and are still reported as governmental activities capital assets in the Commonwealth's Statement of Net Position. See Note 1 in the Notes to the Financial Statements for a detailed description of this relationship.
 - (4) Beginning with the 2014 fiscal year, the estimated miles have been rounded to the nearest thousand.



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Appendix

APPENDIX- Legend of Abbreviations

The following legend presents descriptions of abbreviations that appear throughout the report:

ABBREVIATION	DESCRIPTION
ACFR	Annual Comprehensive Financial Report
ACWI	All Country World Index
ARO	Asset Retirement Obligation
ARPA	American Rescue Plan Act
BFTDA	Ben Franklin Technology Development Authority
BMP	Best Management Practices
BRIA	Bethlehem Revitalization & Improvement Authority
C&R	Compromise and Release
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CDC	Centers For Disease Control
CFA	Commonwealth Financing Authority
CFP	Charitable Food Program
CIP	Commonwealth Investment Program
COLA	Cost of Living Adjustments
CMO	Collateralized Mortgage Obligation
CNIT	Corporate Net Income Tax
CRIZ	City Revitalization Improvement Zone
CRF	Coronavirus Relief Fund
CTF	Collective Trust Fund
CU	Component Unit
DC	Defined Contributions
DC-CTF	Defined Contributions Collective Trust Funds
DCED	Department of Community and Economic Development
DGP	Deferred Compensation Program
DDAP	Department of Drug and Alcohol Programs
DEP	Department of Environmental Protection
DGS	Department of General Services
DHS	Department of Human Services
DOH	Department of Health
DOR	Department of Revenue
DOT	Department of Transportation
DPCU	Discretely Presented Component Unit
ED	Department of Education
EIO	Education Improvement Organization
EITC	Educational Improvement Tax Credit
EOSTC	Educational Opportunity Scholarship Tax Credit
ESSER	Elementary and Secondary School Emergency Funds
ETF	Exchange-Traded Funds
EZP	Enterprise Zone Program
FFCRA	Families First Coronavirus Response Act
FPUC	Federal Pandemic Unemployment Compensation
FUA	Federal Unemployment Account
GA	General Assistance
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GEER	Governors Emergency Education Relief
GFOA	Government Finance Officers Association
FIUP	Foundation for Indiana University of Pennsylvania
FMAP	Federal Medical Assistance Percentage

APPENDIX- Legend of Abbreviations

GO	General Obligation
GSE	Government Sponsored Enterprise
GSP	Guaranteed Savings Plan
HDC	Harristown Development Corporation
HOP	Health Options Program
IDEA	Individuals with Disabilities Education Act
IFPA	Insurance Fraud Prevention Authority
IBNR	Incurred But Not Reported
IRC	Internal Revenue Code
KIZ	Keystone Innovation Zone Program
KOZ	Keystone Opportunity Zone Program
L&I	Department of Labor and Industry
LCB	Liquor Control Board
LIBOR	London Interbank Offered Rate
LOC	Line of Credit
LWA	Lost Wage Assistance Program
MBS	Mortgage-Backed Securities
MCO	Managed Care Organization
Mcare	Medical Care Availability and Reduction of Error Fund
MD&A	Management's Discussion and Analysis
MIRP	Military Installation Remediation Program
MLF	Motor License Fund
MLP	Master Limited Partnership
MOU	Memorandum of Understanding
NAICS	North American Industry Classification System
NAP	Neighborhood Assistance Program
NAV	Net Asset Value
NOL	Net OPEB Liability
NPL	Net Pension Liability
NPP	Neighborhood Partnership Program
NRSRA	Nationally Recognized Statistical Rating Agencies
NRSRO	Nationally Recognized Statistical Rating Organization
NYSE	New York Stock Exchange
OPEB	Other Postemployment Benefits
OSTC	Opportunity Scholarship Tax Credit
PACE	Pharmaceutical Assistance Contract for the Elderly
PCCA	Pennsylvania Convention Center Authority
PEBTF	Pennsylvania Employees Benefit Trust Fund
PEDA	Pennsylvania Energy Development Authority
PEDFA	Pennsylvania Economic Development Financing Authority
PEMA	Pennsylvania Emergency Management Agency
PennDOT	Pennsylvania Department of Transportation
PENNVEST	Pennsylvania Infrastructure Investment Authority
PEUC	Pandemic Emergency Unemployment Compensation
PG	Primary Government
PHEAA	Pennsylvania Higher Education Assistance Agency
PHEFA	Pennsylvania Higher Education Facilities Authority
PHFA	Pennsylvania Housing Finance Agency
PHIEA	Pennsylvania Health Insurance Exchange Authority
PHMC	Pennsylvania Historical and Museum Commission
PIB	Pennsylvania Infrastructure Bank Fund

APPENDIX- Legend of Abbreviations

PIDA	Pennsylvania Industrial Development Authority
PKSO	Pre-Kindergarten Scholarship Organization
PLCB	Pennsylvania Liquor Control Board
PPC	Port of Pittsburgh Commission
PRPA	Pennsylvania Regional Port Authority
PSDC	Philadelphia Shipyard Development Corporation
PSERS	Public School Employees' Retirement System
PTC	Pennsylvania Turnpike Commission
PTRR	Property Tax and Rent Rebate
PUA	Pandemic Unemployment Assistance
PURTA	Public Utility Realty Tax Act
REAP	Resource Enhancement and Protection Tax Credit
REHP	Retired Employees' Health Program
RHRCA	Pennsylvania Rural Health Redesign Center Authority
RPSP	Retired Pennsylvania State Police Program
RRI	Residential Revival Indiana
RSI	Required Supplementary Information
S&P	Standard & Poor's
SCC	State Conservation Commission
SEA	Sports and Exhibition Authority
SERS	State Employees' Retirement System
SLFRF	State and Local Fiscal Recovery Funds
SMA	Separately Managed Accounts
SNAP	Supplemental Nutrition Assistance Program
SO	Scholarship Organization
SPP	Special Program Priorities
SPSBA	State Public School Building Authority
SSHE	State System of Higher Education
STIF	Short-Term Investment Fund
STIP	Short-Term Investment Pool
SWIF	State Workers' Insurance Fund
TANF	Temporary Assistance for Needy Families
TRIA	Tamaqua Revitalization & Improvement Authority
TSCT	Thaddeus Stevens College of Technology
UC	Unemployment Compensation
UIT	Unemployment Insurance Trust
USTIF	Underground Storage Tank Indemnification Fund
UTF	Unemployment Compensation Trust Fund
WHO	World Health Organization