



COMMONWEALTH OF PENNSYLVANIA

ANNUAL

**COMPREHENSIVE
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2023

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Commonwealth of Pennsylvania

Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2023

Josh Shapiro, Governor



**Prepared By:
Office of the Budget**

***Uri Monson
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, 2023**

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COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR

Uri Monson
SECRETARY
GOVERNOR'S OFFICE OF THE BUDGET

December 13, 2023

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, 2023. 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, 2023 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, 2023 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, 2023 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, 2023. 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 97.5% 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, 2023.

**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>
2023	\$ 8,085	\$ 2,538
2022 (revised)	5,546	5,542
2021 (revised)	4	2,719
2020 (revised)	(2,715)	(2,745)
2019 (revised)	30	63

During the fiscal year ended June 30, 2023, General Fund revenues exceeded General Fund expenditures by \$2,627, resulting in a partial transfer of the surplus, after prior year lapses, to the Budget Stabilization Fund in the amount of \$898. The budgetary basis results for the fiscal year ended June 30, 2023 include revenue collections totaling \$93,791, less appropriation authorizations totaling \$91,164, plus other net financing sources totaling \$88 that includes the Budget Stabilization Fund transfer. Included in the \$91,164 appropriation authorizations are \$1,974 of state supplemental appropriations and \$1,196 in federal supplemental appropriations authorized for the fiscal year ended June 30, 2023 (amounts in millions).

ECONOMIC CONDITION

Pennsylvania benefits from a highly diversified economy with a mix of industries. No single employment sector dominates Pennsylvania. The state includes two of the larger metro areas in the country in Philadelphia and Pittsburgh, with the remainder of the state featuring smaller cities and towns that support both service and goods-producing sectors. The state’s education providers, especially its notable research universities, not only provide jobs on campus but also help develop new businesses. As of January 2023, Pennsylvania total nonfarm employment was up 0.8 percent from 2022 levels. The expected pullback in the national economy is projected to cause a gradual decrease in payrolls across the country in 2023. As a result, total nonfarm payrolls in the state are projected to drop by 1.0 percent over the period from Q1 2023 to Q1 2024.

Natural gas production in Pennsylvania has shown little growth for several months despite historically high output prices. The rapid increase in production over the last decade or so spurred a wave of pipeline-building to move the gas to markets, but that build-out has since stalled, creating a firm ceiling on output in the short-to-medium term. The state’s massive reserve of natural gas in the Marcellus and Utica Shales also led to construction of a large plant in western Pennsylvania by Royal Dutch Shell. Part of the plant’s activity includes turning natural gas liquids into 1.6 million metric tons of pellets to be used in producing plastics. The plant began production in late 2022 and employs 600. The state is also pursuing projects in developing hydrogen production and carbon capture and storage, part of the ongoing evolution of the energy sector.

The state’s high-tech sectors continue to make immense contributions to Pennsylvania’s economic growth. Pittsburgh gas emerged as a leading center of research into commercial development of robotics, advanced manufacturing, artificial intelligence, and related technologies. Philadelphia’s life science sector, in the meantime, is seeing a resurgence of investment in development and manufacturing of new technologies. Children’s Hospital of Philadelphia is set to begin construction of a 290,000-square-foot research center on the east bank of the Schuylkill River. The new facility will continue the hospital’s work in cell-and-gene therapy. Pittsburgh International Airport’s cargo facility will undergo an expansion and upgrade that will bring new technology and increased capacity.

Pennsylvania has posted steady employment gains over the past year. However, health care services, notably in hospitals, nursing homes, and daycare centers, have had more difficulty in restoring jobs than initially anticipated. High-tech fields such as artificial intelligence, industrial automation, and biosciences will see the most growth, while more traditional fields such as legal services will see more moderate gains.

LONG-TERM FINANCIAL PLANNING

During fiscal year 2022-23, the Commonwealth continued its commitment to redevelop its fiscal strategies to improve the strength of its General Fund, largely by maximizing the use of federal funding opportunities provided through the CARES Act and the American Rescue Plan Act (ARPA) and continued utilization of other special funds to meet critical program and administrative needs. In addition, stronger than anticipated General Fund revenue collections provides the ability to continue with an annual deposit into the Commonwealth's budget stabilization reserve fund.

The federal Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA) were also signed into law. IIJA provides additional federal funding for broadband access, clean water, electric grid renewal, highway aid, transit, highway safety, motor carrier, research, hazardous materials, and rail programs. This federal funding will total approximately \$22 billion through 2026. IRA provides additional federal funding as it aims to curb inflation by possibly reducing the federal government budget deficit, lowering prescription drug prices, and investing into domestic energy production while promoting clean energy.

Act 1A of 2023 (General Appropriations) appropriates an additional \$895.5 million in CARES Act and ARPA funding along with \$1.6 billion of IIJA and \$352.4 million of IRA funding.

As the Commonwealth plans for the 2024-25 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 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 2024-25 Executive Budget request which will be available on February 6, 2024 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, 2022. This represents the thirty-seventh 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, 2023 conforms to the GFOA's award criteria.

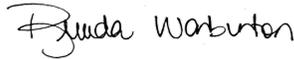
ACKNOWLEDGMENTS

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,



Uri Monson
Secretary
Office of the Budget

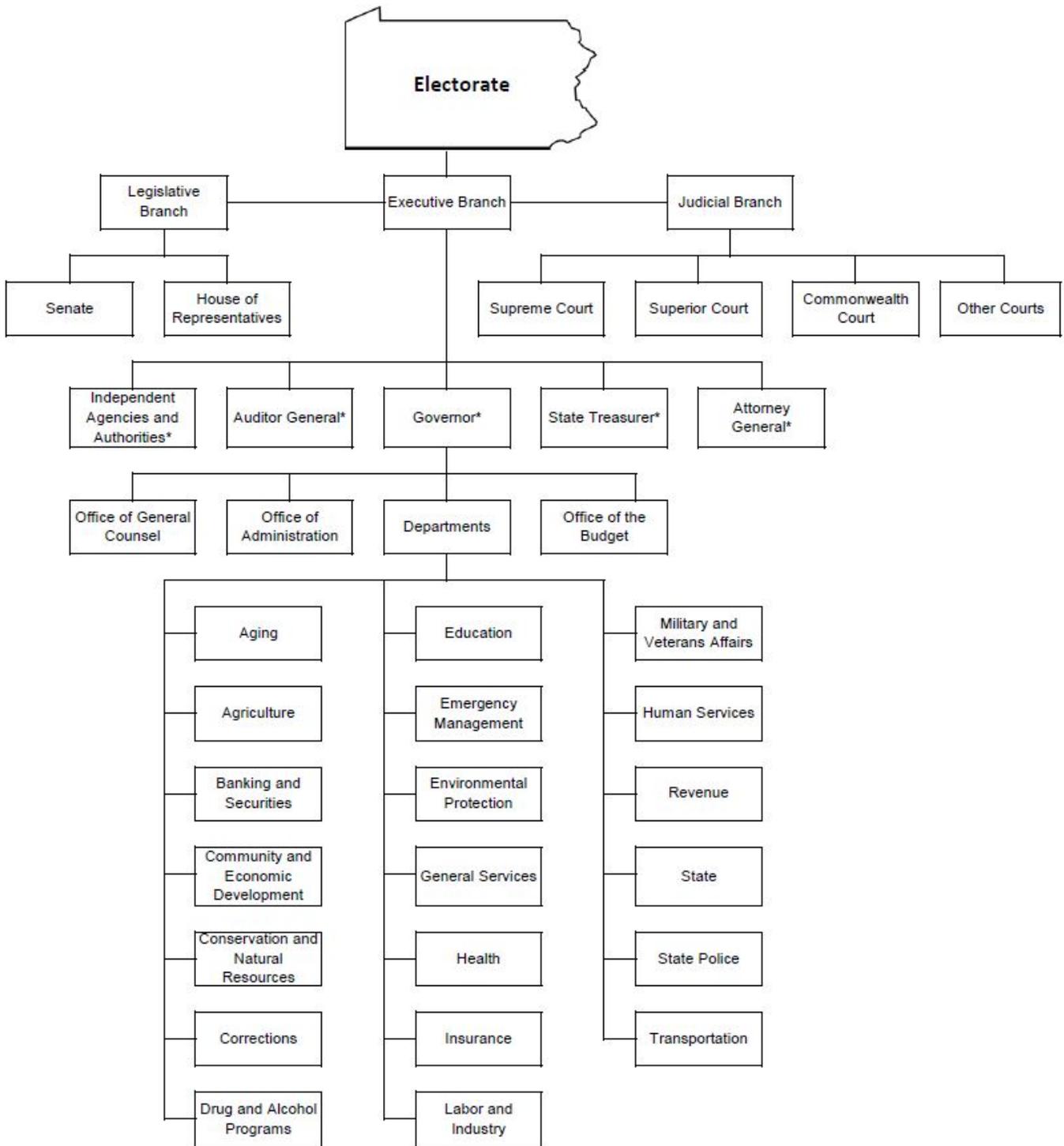


Brenda Warburton
Executive Deputy Secretary
Office of the Budget



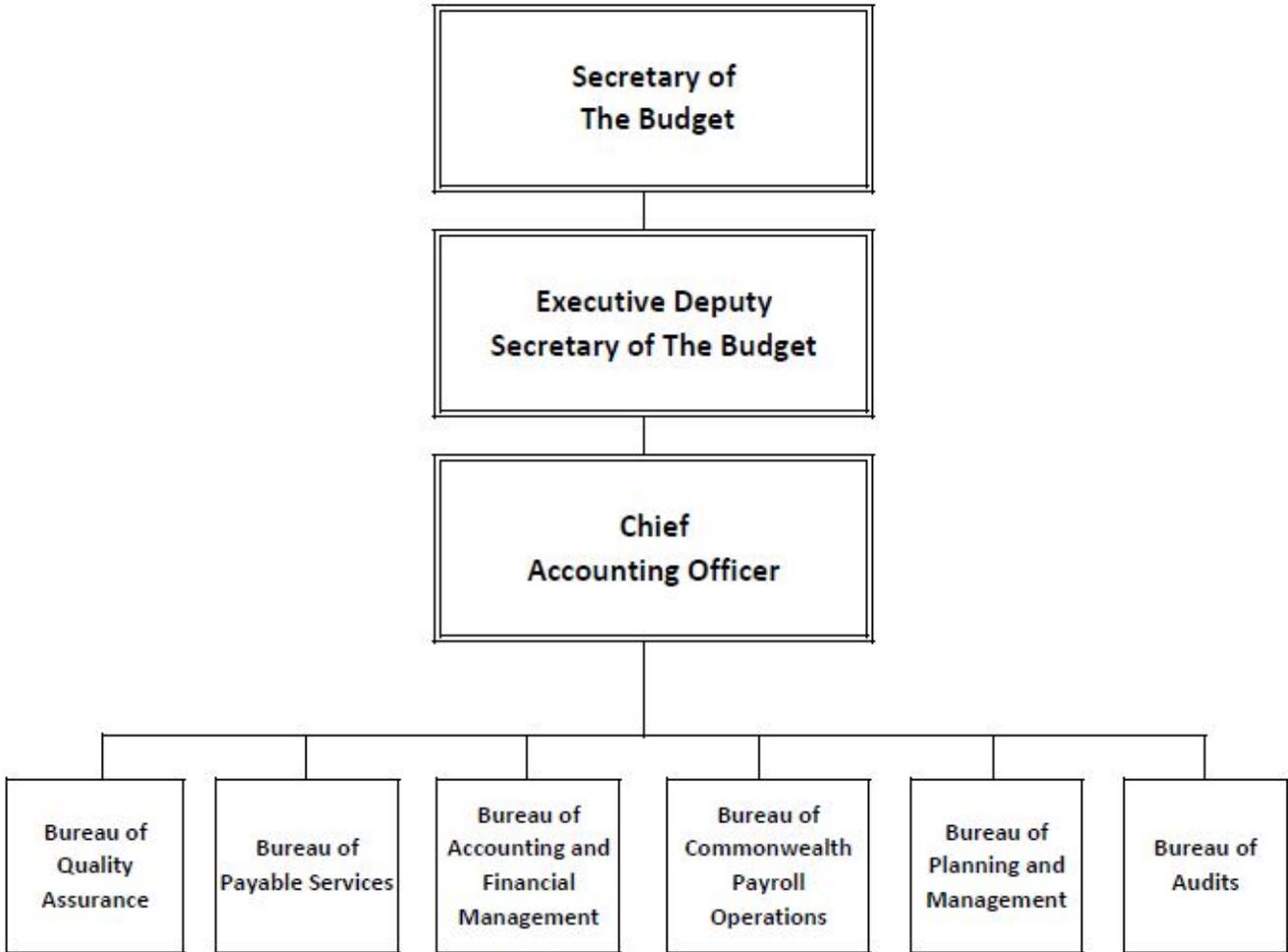
Brian Lyman, CPA
Chief Accounting Officer
Office of the Budget

**COMMONWEALTH OF PENNSYLVANIA
ORGANIZATION CHART
June 30, 2023**



*Independently Elected

OFFICE OF THE BUDGET
OFFICE OF COMPTROLLER OPERATIONS
ORGANIZATION CHART
June 30, 2023



Principal Leadership

Commonwealth Elected and Selected Appointed Officials as of June 30, 2023

Josh Shapiro, Governor

Austin Davis, Lieutenant Governor

Stacy Garrity, Treasurer

Timothy DeFoor, Auditor General

Michelle A. Henry, Attorney General

Uri Monson, Secretary of the Budget

Neil Weaver, Secretary of Administration

Kim L. Ward, President pro Tempore, Senate

Joanna E. McClinton, Speaker of the House

Debra Todd, 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, 2022

Christopher P. Morill

Executive Director/CEO

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

Financial Section



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

INDEPENDENT AUDITORS' REPORT

The Honorable Joshua D. Shapiro, 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, 2023, 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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	56%	27%
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 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	90%	42%

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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective July 1, 2022, the Commonwealth adopted new accounting guidance for subscription-based information technology arrangements (SBITA). The guidance requires lessees to recognize a right-to-use software asset and corresponding right-to-use liability for all SBITA with terms greater than twelve months. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

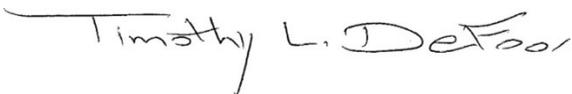
Supplementary Information

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 by us and other auditors. 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 13, 2023



Baltimore, Maryland
December 13, 2023

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

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, 2023 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 functions 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 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, Lieutenant Governor, 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 high-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 from 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 for 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, 2023 and 2022

(Amounts in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Assets:						
Cash and investments	\$ 33,962	\$ 31,244	\$ 8,201	\$ 5,951	\$ 42,163	\$ 37,195
Capital assets (net)	44,650	43,570	1,154	1,076	45,804	44,646
All other assets	12,125	14,529	2,043	1,826	14,168	16,355
Total assets	90,737	89,343	11,398	8,853	102,135	98,196
Total deferred outflows	10,046	7,710	376	283	10,422	7,993
Liabilities:						
Accounts payable	7,440	12,775	888	843	8,328	13,618
All other current liabilities	7,302	8,427	1,941	885	9,243	9,312
Bonds payable, noncurrent	9,830	9,801	4,177	4,336	14,007	14,137
All other long-term liabilities	40,654	36,062	4,116	3,754	44,770	39,816
Total liabilities	65,226	67,065	11,122	9,818	76,348	76,883
Total deferred inflows	7,948	11,655	470	733	8,418	12,388
Net position:						
Net investment in capital assets	37,541	36,402	898	808	38,439	37,210
Restricted	6,004	5,102	3,038	2,131	9,042	7,233
Unrestricted	(15,936)	(23,171)	(3,754)	(4,354)	(19,690)	(27,525)
Total net position (deficit)	\$ 27,609	\$ 18,333	\$ 182	\$ (1,415)	\$ 27,791	\$ 16,918

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 by \$2,718. The \$3,549 increase in investments was associated with the increase in tax revenues, allowing for transfers of funds from the temporary investment pool to the long-term investment pool. Long-term investments increased due to transfers in from the Workers Compensation Security Fund which received an early loan repayment from the General Fund.
- Business-Type Activities total cash and investments increased by \$2,250, primarily due to the Unemployment Compensation Fund's cash and investment increase of \$1,379. This increase is related to a \$442 benefit refund and an additional \$940 due to not having a Federal Unemployment Account (FUA) loan repayment this year. Additionally CFA, had a \$718 increase in cash due to transfers from the Local Share and State Fiscal Recovery funds.

Capital assets net increase:

- The \$1,080 increase in Governmental Activities' capital assets was primarily due to increases in highway infrastructure of \$1,630. There were 195 highways and 258 resurfacing projects completed. This resulted in increases in each of these categories of \$875 and \$755, respectively. Bridge Infrastructure increased \$523 as a result of approximately 316 bridge-related projects completed.
- The \$78 increase in Business-Type Activities' capital assets is primarily due to increases in right-to-use assets (leases) and internally generated computer software of \$53 and \$54 respectively. Additionally, machinery and equipment increased by \$73 in the State Lottery Fund due to the purchase of lottery machines and hardware upgrades. These increases were partially offset by the accumulated depreciation for assets of \$107.

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

All other assets net decrease:

- Governmental Activities decreased by \$2,404 overall. The decrease is primarily attributable to a \$3,548 decrease in Medical Assistance (MA) Capitation payments owed to the Department of Human Services from the federal government. The decrease in other assets was partially offset by a \$437 increase in taxes receivable for both the Department of Revenue and the Department of Transportation. Additionally, accounts receivable increased \$511 largely due to drug rebates owed to DHS from drug manufacturers.
- Business-Type Activities increased \$217, directly related to the \$267 increase in accounts receivable for overpayments made in the Pandemic Unemployment Assistance (PUA) system from the Unemployment Compensation Fund. This was partially offset by a \$29 decrease in the noncurrent portion of loans receivable, largely due to an increase in the allowance for loan losses by the Commonwealth Financing Authority (CFA).

Deferred outflows of resources net increase:

The total increase of \$2,429 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). The majority of the increase this year is attributable to the Pennsylvania State Employee's Retirement System's (SERS) investments significantly underperforming actuarially determined projections for 2022. Additionally, the increase is related to the difference between expected and actual experience increased due to experience losses exceeding experience gains during 2022.

- Governmental Activities increased by \$2,336.
- Business-Type Activities increased by \$93.

Accounts Payable net decrease:

- Governmental Activities decreased by \$5,335 primarily due to the Department of Human Services experiencing a \$5,481 decrease, which was attributable to the timing of medical assistance capitation payments. While overall accounts payable decreased, the Public Transportation Trust Fund experienced a slight increase over the prior year due to annual payments due to both the Southeastern Pennsylvania Transit Authority and the Port Authority of Pittsburgh.
- Business-Type Activities increased by \$45. This overall increase is due to an increase in liquor purchases by the Liquor Control Board, offset by decreases to UC benefits payable and the State Lottery as the settlement agreement with a vendor was resolved.

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 \$1,125 is largely attributable to a decrease of \$1,522 in unearned revenue due to the recognition of Federal State Fiscal Recovery (SFR) monies through the ARPA. The amounts that remained unearned as of June 30, 2022, and 2023 were \$2,369 and \$805, respectively. An increase in securities lending obligations of \$109 partially offset the overall decrease. Additionally, tax refunds payable increased by \$104 due to an increase in the number of refunds and an increase in the interest rates applied to refunds. Further information is provided in the individual fund analysis in Section D.
- Business-Type Activities increase of \$1,056 can be attributed to increases in due to other governments for UC overpayments. Also contributing to the increase is an increase in unearned revenue for CFA due to SFR funds that remain unearned.

Bonds payable, noncurrent net decrease:

- Governmental Activities noncurrent bonds payable increased \$29 as a result of normal debt service activity during the fiscal year, including bond issuances and retirements for general obligation bonds.
- Business-Type Activities decreased \$159 as a result of normal debt service activity and bond refunding by the Commonwealth Financing Authority.

All other long-term liabilities net increase: (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 increase of \$4,954 is largely due to gains in the pension and OPEB plans. The OPEB liabilities decreased by \$2,120 as a result of the increased discount rate from 3.6% to 4.7% and an experience gain for the REHP. The SERS net pension liability increased \$7,115, driven by increased interest expense and investment losses for the plan. SERS investment earnings significantly underperformed actuarially determined projections during 2022. (See notes 9 and 10 for more information.)

- Total Governmental Activities increased \$4,592, resulting from the OPEB decrease of \$2,091 and pension increase of \$6,838. Other liabilities also decreased by \$95, driven by changes to actuarially determined liabilities for the Department of Insurance.
- Total Business-Type Activities increased \$362, resulting from the pension increase of \$277, an increase in insurance loss liabilities of \$97, and the OPEB decrease of \$29.

Deferred inflows of resources net decrease:

The total decrease of \$3,970 is primarily due to a difference between the projected and actual plan investment earnings. SERS investment losses experienced a negative 12.2% rate of return over the projected return of 6.875%. Due to changes in an increase to the discount rate and updates to the trend and mortality improvement assumptions, the OPEB plan also experienced a decrease.

- Governmental Activities deferred inflows of resources decreased by \$3,707.
- Business-Type Activities deferred inflows of resources decreased by \$263.

Net position is one way of measuring the health of the Commonwealth's finances. The Primary Government's net position increased by \$10,873 over the prior year. The \$9,276 increase to the Governmental Activities net position is related to an increase in essentially every classification, with the largest increase related to capital assets, specifically in the Commonwealth's infrastructure (highways and bridges) assets. An increase in tax revenues from the corporation and sales and use tax categories also contributed to the overall increase.

The \$1,597 increase in net position related to Business-Type Activities can be directly attributed to the reduction in payments made to the Federal Unemployment Account since the balance was paid off in the prior year.

Statement of Activities for the Fiscal Years Ended June 30, 2023 and 2022

(Amounts in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues						
Charges for sales and services	\$ 9,354	\$ 8,848	\$ 11,017	\$ 10,185	\$ 20,371	\$ 19,033
Operating grants and contributions	49,269	52,861	262	3,444	49,531	56,305
Capital grants and contributions	51	63	—	3	51	66
Total program revenues	58,674	61,772	11,279	13,632	69,953	75,404
General revenues: taxes and investment earnings	51,738	49,581	—	—	51,738	49,581
Total revenues	110,412	111,353	11,279	13,632	121,691	124,985
Expenses:						
Governmental Activities						
Direction and supportive services	1,798	1,697	—	—	1,798	1,697
Protection of persons and property	8,081	6,500	—	—	8,081	6,500
Public education	22,252	21,116	—	—	22,252	21,116
Health and human services	58,434	57,584	—	—	58,434	57,584
Economic development	2,058	1,400	—	—	2,058	1,400
Transportation	6,809	6,190	—	—	6,809	6,190
Recreation and cultural enrichment	780	587	—	—	780	587
Interest	329	313	—	—	329	313
Business-Type Activities						
State lottery	—	—	5,490	4,927	5,490	4,927
State workers' insurance	—	—	218	41	218	41
Tuition payment	—	—	293	265	293	265
Unemployment compensation	—	—	1,554	4,878	1,554	4,878
Commonwealth financing	—	—	336	322	336	322
Liquor control	—	—	2,296	2,103	2,296	2,103
Economic development and other	—	—	102	80	102	80
Total expenses	100,541	95,387	10,289	12,616	110,830	108,003
Excess before transfers	9,871	15,966	990	1,016	10,861	16,982
Transfers	(607)	(195)	607	195	—	—
Increase (decrease) in net position	9,264	15,771	1,597	1,211	10,861	16,982
Net position (deficit)-beginning	18,333	2,562	(1,415)	(2,626)	16,918	(64)
Restatement	12	—	—	—	12	—
Net position (deficit)-ending	\$ 27,609	\$ 18,333	\$ 182	\$ (1,415)	\$ 27,791	\$ 16,918

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

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

- Governmental Activities increased by \$506. Human services experienced a \$125 increase due to the continued increase in assessments from managed care organizations resulting from increases in enrollment. The Game Commission saw an increase of \$142 due to an increase in royalties from gas and oil leases, along with significant increases in the average price for natural gas and the price per barrel of oil. The Oil and Gas Lease Fund and the Unconventional Gas Well Fund also saw revenues increase by \$53 and \$45, respectively, due to the increase in the price of natural gas and oil. The number of wells being drilled increased, resulting in increased drilling fees.
- Charges for sales and services of business-type activities include, among many things, lottery sales, wine and spirit sales, and unemployment compensation revenues. The increase of \$832 is directly related to the increase in state lottery sales of \$557, as the lottery has started to transition away from its cash-only model and now allows the use of cards. The increase can also be attributed to a \$113 increase in State Stores Fund revenues as the Liquor Control Board increased prices on a significant amount of store items for the first time since 2019. The UC Fund saw an increase in revenues of \$113 as a result of increased contribution rates.

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

Operating grants and contributions net decrease:

- Governmental Activities decreased by \$3,592 as the amount of federal funding from the American Rescue Plan Act of 2021 (ARPA) that was recognized as revenue decreased by approximately \$3,358. The Department of Human Services saw an increase in COVID funding related to the medical assistance program, but a portion of that was offset by the Supplemental Nutrition Assistance Program (SNAP), which provides nutrition benefits to supplement the food budget of needy families, which saw a decrease in funding over the prior year as COVID emergency benefits ended. Additionally, the Department of Education experienced a decrease in federal funding of \$689 for the ESSER, GEER, IDEA, and others. The Motor License Fund also saw an increase in funding from the Infrastructure and Jobs Act for highway and bridge projects.
- Business-Type Activities decreased by \$3,182. The decrease is the direct result of a reduction in federal funding for unemployment compensation benefits paid due to the COVID-19 pandemic programs winding down.

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

Taxes and investment earnings net increase of \$2,157 in Governmental Activities can be attributed to increases in sales and use taxes of \$693, corporation taxes of \$572, gaming taxes of \$202, and personal income taxes of \$167. Sales and use tax and corporation taxes once again exceeded expectations. Additionally, there was a \$704 increase in long-term investment earnings. This was partially offset by a \$236 decrease in real estate taxes as the housing market slowed considerably.

Expenses: Governmental Activities

Protection of persons and property expenses increased by \$1,581 as COVID relief monies from ARPA were spent. The Department of Corrections, Pennsylvania Emergency Management Agency, and Pennsylvania State Police saw the most significant increases as the federal government expanded their eligibility requirements for what were considered allowable expenses.

Public education increased by \$1,136. Overall funding for education increased over the prior year. Basic Education funding and the Level Up Supplement increased \$558 and \$225, respectively. There was also a \$200 increase that was split between the Ready to Learn Block Grant and the School Safety and Security Fund.

Health and human services expenses increased by \$850 as the Medical Assistance program continued to grow. The \$1,466 increase was offset by a \$729 decrease in Supplemental Nutrition Assistance Program (SNAP) payments.

Economic development expenses increased by \$658 due to the COVID-19 relief fund monies being expended. The DCED's expenditures increased by \$410, which included the continued use of COVID-19 funds for business assistance and local recovery. The Pennsylvania Housing Finance Agency (PHFA) expenses increased by \$164 as additional COVID funds were utilized for an assistance program for homeowners affected by COVID.

Expenses: Business-Type Activities

State Lottery Program expenses increased by \$563. Lottery expenses, specifically prize payouts, which increased by \$410, and retailer commissions are closely tied to lottery sales, which also increased this year.

Unemployment Compensation program expenses decreased by \$3,324 as the emergency unemployment programs established during the COVID-19 pandemic continued to expire.

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

Transfers between the Governmental Activities and Business-Type Activities increased by \$412. The Gaming Fund's transfers to CFA increased \$458 due to the \$263 transfer of tax revenues resulting from the Interactive Gaming and Slot Machine tax. Business Activities to Governmental Activities increased due to Lottery transferring an additional \$50 to the Pharmaceutical Assistance Fund for the PACE program, which offers low-cost prescription medication to qualifying senior citizens.

Restatement

Effective July 1, 2022, the Commonwealth implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The implementation of the standard requires all SBITAs to be reported as financing arrangements for the right to use another party's asset. Under this statement, a government is required to recognize a SBITA liability and an intangible right-to-use asset. Certain outlays prior to the commencement of the subscription are included in the recognition of the intangible right-to-use asset that are not recognized in the associated liability.

Section D: Individual Funds Analysis

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

	2023	2022
Assets:		
Cash and investments	\$ 22,023	\$ 21,599
Receivables, net	7,180	6,118
Due from other funds/governments/advances/other	3,804	7,588
Total assets	\$ 33,007	\$ 35,305
Liabilities:		
Accounts payable and tax refunds payable	\$ 6,972	\$ 12,330
Due to other funds/governments/advances/other	3,054	3,687
Unearned revenue	926	2,476
Total liabilities	10,952	18,493
Total deferred inflows of resources	3,881	3,441
Fund Balance:		
Total fund balance	18,174	13,371
Total liabilities, deferred inflows of resources and fund balance	\$ 33,007	\$ 35,305

Cash and investments increased by \$424. The increase is directly related to the \$1,345 increase in long-term investments which was partially offset by a \$957 decrease to temporary investments, due to money being shifted to long-term to generate higher returns. Temporary and long-term investments are dependent on cash being available to invest. When revenues increase and expenses decrease over the prior year, there is more cash available for investing. The Game Fund saw a \$368 increase due to a significant increase in revenue.

Receivables, net increased by \$1,062 and can be attributed in part to increases in taxes receivable of \$498. Personal income and sales and use taxes increased by \$314 and \$151, respectively. The increase in personal income tax receivable was due to an increase in non-withheld revenues, which include items such as interest, dividends, capital gains, self-employment income, IRA distributions, and lottery and gambling winnings. The increase in sales and use tax is due to increased consumer spending on goods and services. Additionally, there was a \$509 increase in accounts receivable, which mainly pertained to an increase in drug rebates that are owed to the Commonwealth from manufacturers. Drug rebates received are based on medication utilization within the Medical Assistance and other related programs administered by the Pennsylvania Department of Human Services (DHS).

Due from other funds/governments/advances/other decreased by \$3,784, primarily due to a \$3,575 decrease in due from the federal government. This decrease is attributable to a decrease in Medical Assistance (MA) capitation payments owed to DHS. Capitation payments are fixed payment amounts made to healthcare providers

on a monthly per-member basis. In the prior year, payments related to April, May, and June 2021 were all paid in July 2021. In the current year, only capitation payments related to June 2022 were paid in July 2022.

Accounts payable and tax refunds payable decreased by \$5,358. The decrease is applicable to a decrease of \$5,458 in accounts payable, primarily due to DHS in relation to the MA Capitation payments. DHS saw a decrease of \$5,483 primarily due to activity involving capitation payment and the timing of those payments. This decrease was slightly offset by a \$100 increase in tax refunds payable. As tax collections increase, the amount of refunds to be paid also increases. Another contributing factor to this increase is that the interest rate applied to tax refunds increased from 3% to 7%.

Due to other funds/governments/advances/other decreased \$633 overall. The decrease was comprised primarily of the following: \$350 decrease in advances from other funds, \$171 decrease in due to other funds, and \$53 decrease in escheats payable. The decrease in advances from other funds is solely due to having no activity on June 30, 2023, when compared to the prior year, which had an advance posted for the Workers' Compensation Security Fund (WCSF) loan repayment at June 30, 2022. The WCSF loan was authorized by the General Appropriation Act of 2016, which directed monies from the WCSF to the General Fund if sufficient funds were not available from DHS MA appropriations to ensure that no deferral for provider obligations would occur. Repayment was required to be made by the General Fund by July 1, 2024, but was repaid early in the prior year. The decrease in due to other funds was largely due to the one-time supplemental reduction from the Motor License Fund to

the Pennsylvania State Police (PSP) General Fund that occurred in the prior year due to Act 1-A of 2022. There was no supplemental reduction required this year. Additionally, during the COVID-19 pandemic, escheat claims processing speeds declined, which resulted in an increase to escheat claims payable. During the current year, Treasury has worked to return claim processing to normal speeds.

Unearned revenue decreased by \$1,550. In May 2021, the Commonwealth received \$7,291 of federal Coronavirus State Fiscal Recovery Fund (SFR) monies, which were provided under the ARPA. As of June 30, 2022, \$2,476 of the SFR funds remained unspent. The decrease represents the additional expenditures that were made throughout the fiscal year.

Deferred inflows of resources increased by \$440 due to increases 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 increased \$217, comprised of \$180, \$98, and \$27 increases in the personal income, sales and use, and inheritance tax categories, respectively. These increases were partially offset by a decrease of \$89 in corporate taxes.

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 85% of the total governmental fund type revenues and other financing sources and 85% of the total governmental fund type expenditures and other financing uses. The General Fund collects approximately 85% of the total tax revenues and is the primary funding source for most Commonwealth expenditures.

	2023	2022
Revenues:		
Taxes, net of refunds		
Personal income	\$ 17,115	\$ 17,198
Sales and use	14,096	14,058
Corporation	7,640	6,926
Inheritance	1,493	1,568
Cigarette	1,090	1,141
Realty transfer	626	838
Gaming	365	309
Other	544	464
Total taxes, net of refunds	42,969	42,502
Intergovernmental	46,171	50,428
Charges for sales and services	4,251	4,137
Licenses/fees/investment/other income	1,841	1,144
Total revenues	95,232	98,211
Expenditures:		
Direction and supportive services	1,221	1,318
Protection of persons and property	6,224	5,567
Health and human services	58,431	57,923
Public education	21,394	20,434
Recreation and cultural enrichment	415	353
Economic development	1,291	789
Transportation	93	86
Capital outlay	333	464
Other expenditures	72	69
Total expenditures	89,474	87,003
Revenues over/(under) expenditures	5,758	11,208
Other financing sources (uses):		
Transfers in	506	438
Transfers out	(1,616)	(1,612)
Leases and installment purchases	155	264
Other financing obligations	—	—
Net other financing uses	(955)	(910)
Net change in fund balance	\$ 4,803	\$ 10,298

Total taxes, net of refunds, increased by \$467, comprised mostly of a \$714 increase in corporation taxes, offset by a \$212 decrease in real estate taxes. Corporations were able to maintain historically high profit margins and transfer nearly all cost increases to final consumers. In addition, the Tax Cuts and Jobs Act of 2017's provision for amortizing rather than expensing certain research and development costs, effective beginning in the tax year 2022, positively impacted corporation tax revenues received during the year. Conversely, weak home sales, caused by lower home affordability and a limited housing supply, negatively impacted real estate taxes.

Intergovernmental revenues decreased by \$4,257, predominantly due to less revenue recognition for American Rescue Plan Act State Fiscal Recovery (SFR) funds expended during the year compared to the prior year, \$1,230 and \$4,922, respectively. In addition, a

portion of the Commonwealth's SFR funding, \$335, was shifted to the Commonwealth Financing Authority (CFA) during the year for water and sewer projects and cultural and museum preservation grants. The Department of Human Services (DHS) received \$1,205 more federal revenue in conjunction with medical assistance capitation expenditures; however, that increase was partially offset by a \$737 decrease in Supplemental Nutrition Assistance Program (SNAP) benefits as the pandemic-related emergency allotments ended in March 2023. Similar to the SFR, other COVID-19-funded expenditures decreased compared to the prior year, with the largest revenue recognition reductions for the DHS and Department of Education.

Charges for sales and services increased \$114, mainly due to the enactment of Act 92 of 2015, which amended the Public Welfare Code. Act 92 established monthly, per

member assessments of Medicaid-managed care organizations. A rise in monthly Medicaid enrollment was a primary factor in the increase in revenue.

Licenses/fees/investment/other income increased \$697. This increase predominantly pertains to investment income, which increased \$684 over the prior year mostly due to favorable earnings on Commonwealth Investment Program (CIP) investments. The Department of Drug and Alcohol Programs (DDAP) received \$19 in opioid settlements; \$16 stemmed directly to a multi-state agreement with Johnson & Johnson and three of the nation's major pharmaceutical distributors over the companies' roles in creating and fueling the nationwide opioid crisis. DDAP did not receive similar settlement payments in the previous year.

Health and human services account for approximately 65% of total General Fund expenditures for the year. The increase of \$508 largely pertains to higher medical assistance capitation expenses, offset by a reduction in SNAP benefits associated with the discontinuation of pandemic-related emergency allotments. The number of individuals eligible to receive medical assistance increased by 121,000 from the prior year.

Public education accounts for approximately 24% of total General Fund expenditures. The increase of \$960, largely relates to a \$558 increase for basic education funding, along with new \$225 and \$100 appropriations for the Level Up Supplement and Ready to Learn Block Grant programs, respectively. The Level Up Supplement program provides additional funding to school districts that have the greatest student need and the fewest resources.

Protection of persons and property expenditures increased by \$657, largely due to \$286, \$116, and \$89

increases in expenditures for the Pennsylvania Emergency Management Agency (PEMA), the Department of Corrections, and the Pennsylvania State Police, respectively. PEMA's increase primarily pertains to COVID-19 funds used for disaster relief. As costs related to the COVID-19 pandemic escalated, the federal government broadened covered expenses, such as the cost of fully reopening businesses.

Economic development expenditures increased by \$502, primarily due to the utilization of COVID-19 funds during the year. The Department of Community and Economic Development's (DCEd's) expenditures increased by \$332, which largely pertained to the continued use of COVID-19 funds for business assistance, local recovery, and tourism recovery. Specifically, approximately \$195 of DCEd's increase was directly related to COVID-19 funds expended for the Commonwealth's Whole-Homes Repair Program and the State Small Business Credit Initiative (SSBCI). In addition, the Commonwealth issued \$250 of COVID-19 funds to the Pennsylvania Housing Finance Agency (PHFA), which was a \$165 increase from the prior year. Current-year payments to the PHFA were attributable to affordable housing construction and development cost relief.

Transfers in increased by \$68. The increase primarily pertains to the State Lottery Fund transferring \$50 more for pharmaceutical assistance to older Pennsylvanians. A portion, \$25, of the \$135 appropriated for transfer in the prior year was not transferred until November 2022. Act 1-A of 2022 prescribed a similar \$135 transfer during the current year.

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

Description	2023	2022
Cash and investments	\$ 2,605	\$ 2,072
Other assets	743	880
Total assets	\$ 3,348	\$ 2,952
Accounts payable	\$ 725	\$ 690
Other liabilities	298	245
Total liabilities	1,023	935
Total fund balance	2,325	2,017
Total liabilities and fund balance	\$ 3,348	\$ 2,952
Tax revenues	\$ 3,664	\$ 3,600
Licenses and fees	1,161	1,150
Intergovernmental	2,221	2,109
Other revenues	145	87
Total revenues	7,191	6,946
Direction and supportive services	36	32
Protection of persons and property	777	786
Transportation	3,018	2,693
Capital outlay	2,907	2,575
Other expenditures	7	9
Total expenditures	6,745	6,095
Net other financing uses	(138)	(141)
Net change in fund balance	\$ 308	\$ 710

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 the construction and maintenance of roads.

Cash and investments increased \$533, largely due to a \$966 increase in long-term investments. This increase was partially offset by a \$454 decrease in temporary investments. Due to a surplus of funds in the temporary investment pool, funds were moved from the temporary pool to the long-term pool. The long-term pool tends to generate higher returns than the temporary pool, which contributed to the overall increase in cash and investments.

Other assets decreased by \$137. This decrease is largely attributable to a decrease in due from other funds related to the prior year's one-time supplemental reduction of the annual Motor License Fund transfers to the Pennsylvania State Police for highway patrol operations as necessitated by Act 1-A of 2022.

Tax revenues increased \$64 primarily due to the increases in revenue collected for the motor carrier road tax, alternative fuels tax, and oil company franchise tax. The motor carrier road tax is imposed on fuel consumed by

qualified motor vehicles operated within Pennsylvania. Alternative fuels used to propel vehicles on public highways are subject to the alternative fuel tax. The oil company franchise tax is imposed on all taxable liquid fuels and fuels on a cents-per-gallon equivalent basis, and it is remitted by distributors of liquid fuels and fuels. Increased motor fuel tax rates went into effect on January 1, 2023.

Intergovernmental increased by \$112 due to an overall increase in federal Infrastructure Investment and Jobs Act (IIJA) funding received from the Federal Highway Administration this fiscal year. Increased IIJA funding allowed for the expansion of federally reimbursed road and bridge construction projects, which led to an overall increase in revenues received from the federal government.

Transportation and Capital Outlay expenditures increased by \$325 and \$332, respectively. These increases are due to an increase in fixed asset costs, specifically road construction, bridge construction, and engineering costs. Increases in fixed asset costs are attributable to IIJA funding received from the Federal Highway Administration, which allowed for increases in highway and bridge projects.

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

Description	2023	2022
Cash and investments	\$ 1,747	\$ 368
Unemployment assessments receivable	619	626
Other assets	488	244
Total assets	2,854	1,238
Total deferred outflows of resources	9	18
Accounts payable	110	124
Other liabilities	901	145
Total liabilities	1,011	269
Total deferred inflows of resources	20	29
Total net position	\$ 1,832	\$ 958
Total operating revenues: Sales and services	\$ 2,359	\$ 2,243
Total operating expenses: Cost of sales and services	1,555	4,870
Operating income (loss)	804	(2,627)
Nonoperating income (loss)	72	3,640
Income (loss) before transfers	876	1,013
Transfers out	(2)	(3)
Increase in net position	\$ 874	\$ 1,010

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 increased by \$1,379, primarily due to an increase in the balance of the Unemployment Insurance Trust (UIT) account. The increase in the UIT account is attributable to principal repayments on the Federal Unemployment Account (FUA) loan balance in the prior year. The open balance was fully paid off in the prior year, and therefore, no FUA loan balance payments were made within the current year.

Other assets increased by \$244 because of an increase in UC overpayments receivable.

Other liabilities increased by \$756, primarily due to the increase in UC overpayments payable to the federal government.

Total Operating Revenues: Sales and services increased \$116. This increase is primarily driven by a \$147 increase in contributions by employers, which was driven by a rate increase in employee contributions. This was partially offset by lower contributions received from the UTF due to a reduction in weeks compensated.

Total Operating Expenses: Cost of sales and services decreased \$3,315 due to a decrease in unemployment compensation benefits that were paid for COVID-19 pandemic programs such as Federal Pandemic Unemployment Compensation, Pandemic Unemployment

Assistance, and Pandemic Emergency Unemployment Compensation as these programs continue to wind down.

Nonoperating income decreased by \$3,568 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 continuing to expire. This includes the 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	2022	2021
Cash and short-term investments	\$ 58	\$ 80
Long-term investments	1,129	1,376
Other assets	86	47
Total assets	1,273	1,503
Total deferred outflows of resources	14	9
Securities lending obligations	22	16
Unearned revenue	32	36
Insurance loss liability	1,219	1,122
Other liabilities	96	88
Total liabilities	1,369	1,262
Total deferred inflows of resources	20	35
Total net position (deficit)	\$ (102)	\$ 215
Total operating revenues: Sales and services	\$ 96	\$ 94
Total operating expenses: Cost of sales and services	216	40
Operating income (loss)	(120)	54
Investment earnings	(195)	22
Investment expense	(2)	(1)
Net nonoperating revenues (expenses)	(197)	21
Increase (decrease) in net position	\$ (317)	\$ 75

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 by \$247. The change in long-term investments is typically directly related to two main factors: the volatility of the financial markets and the number of payments made to liquidate claims. The market conditions have not been as favorable as in prior years.

Other assets increased by \$39 due to the modernization project to update the insurance accounting system, which will offer an interactive customer portal.

Insurance loss liability increased by \$97 due to unfavorable loss reserve development for existing claims determined by actuarial analysis.

Total Operating Expenses: Cost of sales and services increased \$176, which was based on an unfavorable actuarial adjustment to loss reserves.

Investment earnings decreased by \$217, 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 is directly related to the financial market, which saw more favorable conditions in the bond market in the prior fiscal year.

State Lottery Fund
Condensed, comparative, financial information (amounts in millions)

Description	2023	2022
Cash and short-term investments	\$ 577	\$ 525
Other assets	183	124
Total assets	760	649
Total deferred outflows of resources	36	26
Accounts payable	345	418
Other liabilities	145	118
Total liabilities	490	536
Total deferred inflows of resources	28	53
Total net position	\$ 278	\$ 86
Total operating revenues: Sales and services	\$ 5,684	\$ 5,127
Cost of sales and services	5,480	4,918
Other expenses	10	9
Total operating expenses	5,490	4,927
Operating income	194	200
Nonoperating revenues, net	165	1
Income before transfers	359	201
Transfers in	89	115
Transfers out	(256)	(206)
Transfers, net	(167)	(91)
Increase in net position	\$ 192	\$ 110

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.

Cash and short-term investments increased by \$52 as a direct result of a \$51 increase in temporary investments. The balance of temporary investments changes daily as funds are moved between various cash accounts. The account can fluctuate up and down throughout the year. Temporary investments likely increased at the end of the year because of strong sales and collections.

Other Assets increased by \$59 due to a \$64 increase in Machinery and Equipment, which is comprised of \$49 in Lottery machine hardware upgrades and \$15 in new machines. This increase was partially offset by the increase in accumulated depreciation of all assets held by the fund.

Accounts payable decreased by \$73. In the prior fiscal year, \$77 was accrued for a vendor settlement. The vendor settlement accrual was the result of a vendor name change, which prevented payment to the vendor beginning in March 2022. This has since been resolved, and no accrual was required for this settlement in the current year.

Total operating revenues: Sales and Services increased \$557, which is attributable to an increase in lottery sales in the current year after experiencing a decrease in sales the year before. The majority of the increase occurred in field-paid prizes and credit/debit card purchases, which increased by \$410 and \$154, respectively.

Cost of Sales and Services increased by \$562. Operating expenses have a strong correlation to operating revenues, as the number of payments for field-paid prizes is directly related to lottery sales. The amount of field-paid prizes and commissions increased by \$410 and \$8, respectively. Web vouchers also experienced an increase to \$28.2 million in 2022 from \$21.0 million in fiscal year 2021-2022. The Lottery related costs overall have increased for goods and services, and these costs vary from year to year based on business needs or sales, game designs, and player behavior.

Transfers out increased by \$50 due to an increase in transfers to PACE. Transfers to PACE are established by appropriations in the General Bill each year. In the prior year, \$110 was transferred to PACE, while this year, the fund transferred \$160. \$25 of this amount is attributable to the appropriation for the fiscal year ending June 30, 2022, but was not transferred until the current year.

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

Description	2023	2022
Cash and short-term investments	\$ 183	\$ 141
Long-term investments	2,181	2,063
Other assets	24	14
Total assets	2,388	2,218
Securities lending obligations	102	56
Tuition benefits payable	1,698	1,664
Other liabilities	47	21
Total liabilities	1,847	1,741
Total net position	\$ 541	\$ 477
Total operating revenues: Sales and services	\$ 212	\$ 220
Total operating expenses: Cost of sales and services	292	265
Operating loss	(80)	(45)
Nonoperating revenues, net	144	(216)
Increase (decrease) in net position	\$ 64	\$ (261)

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, 2023, 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 increased by \$170 and are attributable mostly to an increase in investments held compared to the prior year. The portfolio's return (net of fees) was 6.74% as of June 30, 2023, compared to a negative 9.19% as of June 30, 2022. The Fund's returns increased due to positive market fluctuations throughout the year, mostly from U.S. and International Equities, which were up 18.97% and 13.13%, respectively.

Total liabilities increased by \$106, which is attributable to an increase in securities lending obligations due to a rise in lendable securities in the portfolio at year-end. There was also an increase in the fluctuation of investment purchases pending at year-end due to the timing of security trades.

Total operating expenses: Cost of sales and services increased by \$27, primarily due to an increase in tuition benefit expenses. The program usage resulted in 14,887 beneficiaries using 492,802 credits during the fiscal year ended June 30, 2023, compared to 15,363 beneficiaries using 520,256 credits during the fiscal year ended June 30, 2022.

Nonoperating revenues, net increased by \$360 largely due to favorable market fluctuations, mostly from U.S. and International Equities.

Net position increased by \$64 from the prior year. At \$541, the plan is currently 131.04% funded as of June 30, 2023, compared to 128.06% funded as of June 30, 2022.

State Stores Fund
Condensed, comparative, financial information (amounts in millions)

Description	2023	2022
Cash and investments	\$ 388	\$ 232
Inventory	213	210
Other assets	316	320
Total assets	917	762
Total deferred outflows of resources	291	208
Accounts payable	368	252
Pension and OPEB liabilities	1,091	894
Other liabilities	418	376
Total liabilities	1,877	1,522
Total deferred inflows of resources	239	433
Total net position (deficit)	\$ (908)	\$ (985)
Total operating revenues: Sales and services	\$ 2,553	\$ 2,439
Cost of sales and services	2,213	2,029
Other expenses	78	69
Total operating expenses	2,291	2,098
Operating income	262	341
Nonoperating revenues, net	4	(5)
Income before transfers	266	336
Transfers out	(189)	(192)
Increase in net position	\$ 77	\$ 144

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 its 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 provide additional funding to the General Fund.

Cash and investments increased by \$156, resulting from an increase in cash flow from operations and having more funds available for cash deposits and temporary investment purchases. Short-term investments increased by \$144 for the fiscal year.

Total Deferred outflows of resources increased by \$83, primarily due to the change in the difference between projected and actual investment income in the pension plan. Investment losses significantly underperformed actuarially determined projections, resulting in a deferred outflow for pension.

Accounts payable increased by \$116 due to an increase in liquor invoice payable balances.

Pension and OPEB liabilities increased by \$197 due to a \$200 increase in the PLCB's share of SERS' Net Pension Liability, which was largely a result of increased interest expense and investment losses for the plan, and a \$16 decrease in the PLCB's share of a \$400 decrease in the long-term REHP Net OPEB Liability, primarily caused by an increase in the discount rate assumption and updates to the trend and mortality assumption update.

Total deferred inflows of resources decreased \$194 due to a change in the difference between projected and actual investment earnings for pension and an increase in OPEB due to a change in the discount rate from 3.63% to 4.67%, as well as updates to the trend and mortality improvement assumptions.

Total operating revenues: Sales and services increased \$114 due to price increases implemented during the fiscal year and normal sales growth.

Cost of sales and services increased by \$184 primarily due to increases in personnel costs because of expedited scheduled pay increases and a one-time payout of annual leave in response to COVID, depreciation expenses, Commonwealth-provided services, new software system (Project New Horizon) expenses, and credit card services.

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

Description	2023	2022
Current assets	\$ 1,831	\$ 973
Noncurrent assets	257	273
Total assets	2,088	1,246
Total deferred outflows of resources	1	1
Current liabilities	511	177
Noncurrent liabilities	4,178	4,338
Total liabilities	4,689	4,515
Total deferred inflows of resources	12	13
Total net position (deficit)	\$ (2,612)	\$ (3,281)
Operating revenues, net of uncollectibles	\$ (2)	\$ 5
Operating expenses	147	137
Operating loss	(149)	(132)
Nonoperating expenses, net	(125)	(183)
Loss before transfers	(274)	(315)
Transfers, net	943	453
Increase in net position	\$ 669	\$ 138

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 its 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 increased by \$858, mostly attributable to an increase in cash due to Local Share transfers increasing by \$458, the receipt of State Fiscal Recovery (SFR) funds of \$335, and a \$51 increase in investment earnings.

Total liabilities increased by \$174 due in part to the SFR funds that were received but are not yet earned. This was partially offset by 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. As of June 30, 2023, the total outstanding debt for CFA stood at \$4,327.

Operating expenses increased \$10 as a result of an increase in grant expenses when compared to the prior year. As an authority under which economic stimulus programs are established, grants and transfers to other governmental entities are essential to achieving its mission.

Transfers, net include \$943 in transfers in from the primary government, which was comprised of transfers in for debt service purposes as well as transfers to fund programs such as Multimodal Transportation, Act 13, and Local Share. The descriptions of these programs are as follows: The Multimodal Transportation Fund provides grants to encourage economic development and ensure that a safe and reliable system of transportation is available to residents of the Commonwealth. Act 13 provides grants for flood mitigation, orphaned and abandoned well plugging, greenway trails and recreation, watershed restoration and protection, abandoned mine drainage abatement and treatment, baseline water quality, and sewage facility projects. The Local Share provides grants to support and enhance community and economic well-being and mitigate the impact of gaming and related activities.

Net Position increased by \$669, primarily due to the \$485 increase to transfers in from the primary government and a \$153 decrease in bond debt.

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, 2023, 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 2022-2023 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 \$135 in tax revenues, an increase of \$213 in non-tax revenues, and an increase of \$195 in refunds, resulting in a net increase of \$153.

Final federal revenues and corresponding expenditures were \$3,304 more than originally budgeted, primarily due to funding received in the Department of Human Services, which totaled \$1,829. Other increases include \$640 in the Pennsylvania Emergency Management Agency, \$523 in the Department of Education, \$496 in the Department of Community and Economic Development, a combined \$159 in other agencies of the Commonwealth with a decrease of \$217 in the Department of Environmental Protection, \$120 in the Department of Insurance, and \$13 in the Executive Offices.

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

On an 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 2022-2023 original state appropriations. Supplemental appropriations passed on August 3, 2023, by the General Appropriation Act of 2023 resulted in a \$1,974 decrease in state appropriations and a \$1,196 increase in federal appropriations, with supplemental appropriations effective as of the fiscal year ended June 30, 2023.

Actual total state revenues were \$990 more than the final budgeted state revenues due to increases in both tax (\$838) and non-tax (\$152) revenues actually received. The \$13 increase in departmental services is mainly attributable to increased receipts in the Judiciary, the State Treasury, and other agencies, offset by decreases in the Departments of Human Services, Environmental Protection, Attorney General, Auditor General, and other agencies, resulting in a net increase of \$1,003 in state program revenues.

The difference of \$13 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 the construction of buildings and related improvements is almost entirely provided by the proceeds of general obligation (GO) bonds issued; such proceeds are generally accounted for in capital projects funds in governmental fund financial statements as another 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 and amortization expenses for capital assets are reported to recognize the cost of “using up” capital assets over their estimated useful lives. In other words, depreciation and 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. The 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, 2023.

Long-term Debt Overview – fiscal year ended June 30, 2023

(Amounts in millions)

The constitution of the Commonwealth of Pennsylvania permits the incurrence of debt without the 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 \$75.4 billion as of August 31, 2023, with net debt outstanding after credit for refunded debt of \$9.2 billion for a remaining legal debt margin of \$66.2 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 facility restoration, and certain environmental initiatives; and for special purposes approved by the General Assembly, such as disaster relief.

At June 30, 2023, the Commonwealth had a total General Obligation Bond principal outstanding of \$10.2 billion for the following purposes:

\$	6,684	Capital Facilities Bonds
	3,354	Refunding Bonds
	198	Electorate Approved Debt (various)

During the fiscal year ended June 30, 2023, debt service fund transfers were paid primarily from the General Fund, the Motor License Fund, and the Gaming Fund in the amounts of \$1,126, \$129, and \$38, 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, 2024

(Amounts in millions)

During the fiscal year ending June 30, 2024, the Office of the Budget currently plans to issue general obligation bonds, excluding refundings, in the amount of \$1,335. This is an increase of \$335 when compared to the actual new money bond issuance of \$1,000 during the fiscal year ended June 30, 2023. 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 \$929 are currently planned for the fiscal year ending June 30, 2024. 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 the fiscal year ending June 30, 2024. 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 2024.

The Commonwealth's planned issuance for the fiscal year ending June 30, 2024 is dependent on the passage of an annual capital budget by the state legislature. The capital budget for the fiscal year ending June 30, 2024 was enacted on November 13, 2023. 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 can be issued.

There were no debt limitations, restrictions, or commitments during the fiscal year ended June 30, 2023, that may affect the Commonwealth's plans during the fiscal year ending June 30, 2024.

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 allow 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, 2023, \$805 million remains unspent. The funds are anticipated to be fully utilized by the December 31, 2024 federal deadline.

Opioid Settlement Agreements

The Commonwealth, through the PA Office of the Attorney General (AG), has entered into settlement agreements with manufacturer Janssen Pharmaceuticals, Inc., its parent company Johnson & Johnson, distributors McKesson, Cardinal Health, and AmerisourceBergen, as well as consulting group McKinsey. Agreements with Teva, Allergan, CVS, Walgreens, and Walmart are in the process of being finalized. The settlements state that a significant amount of the settlement funds must be used to remediate the opioid crisis. As of June 30, 2023, the Commonwealth has received approximately \$40 million in opioid settlement funds, with \$18.6 million received this fiscal year. The Commonwealth is expected to receive \$132 million over the next 16 years related to finalized agreements. It is not known at this time what amounts will be received for the settlement agreements remaining to be finalized subsequent to June 30, 2023.



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

Basic Financial Statements

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

Government-wide Financial Statements

Commonwealth of Pennsylvania
Statement of Net Position
June 30, 2023

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current assets:				
Cash—Note 2, 16	\$ 160,313	\$ 2,319,758	\$ 2,480,071	\$ 2,914,045
Cash with fiscal agents—Note 2	62,418	1,027,212	1,089,630	345
Temporary investments—Note 2, 16	27,595,332	1,331,300	28,926,632	4,267,346
Receivables (net):				
Taxes—Note 3	3,278,213	—	3,278,213	—
Unemployment assessments	—	618,923	618,923	—
Accounts	2,485,420	551,375	3,036,795	305,400
Investment earnings	114,233	20,597	134,830	26,180
Interest on notes and loans	27	16,249	16,276	140,406
Loans—Note 3, 16	15,070	44,785	59,855	878,796
Lease rentals—Note 3	508	11,167	11,675	2,290
Investment sale proceeds	5,170	14,952	20,122	—
Other	146,340	6	146,346	96,591
Due from pension trust funds—Note 5	6,503	215	6,718	—
Due from primary government—Note 5	—	—	—	24,542
Due from component units—Note 5	39,533	—	39,533	808
Due from Federal Government	3,955,003	4,249	3,959,252	11,152
Due from political subdivisions	3,479	3,863	7,342	—
Due from other governments	493	2,142	2,635	1,069
Inventory	171,807	212,832	384,639	24,117
Prepaid expenses	—	3,313	3,313	56,424
Other assets	3,000	36,432	39,432	34,410
Total current assets	<u>38,042,862</u>	<u>6,219,370</u>	<u>44,262,232</u>	<u>8,783,921</u>
Noncurrent assets:				
Restricted cash—Note 2	—	317	317	52,881
Long-term investments—Note 2, 16	6,144,760	3,523,411	9,668,171	2,879,080
Receivables (net):				
Taxes—Note 3	1,827,094	—	1,827,094	—
Loans—Note 3, 16	27,222	381,061	408,283	8,981,908
Lease rentals—Note 3	3,037	116,070	119,107	58,549
Due from component units—Note 5	41,860	—	41,860	—
Non-depreciable capital assets—Note 4, 16:				
Land	3,604,020	244,304	3,848,324	526,573
Construction in progress	6,255,286	9,059	6,264,345	1,564,242
Depreciable or amortizable capital assets—Note 4, 16:				
Land improvements	1,205,292	175,500	1,380,792	557,618
Buildings and building improvements	9,588,172	596,796	10,184,968	5,933,686
Machinery and equipment	2,198,997	333,773	2,532,770	1,508,218
Turnpike infrastructure	—	—	—	10,613,104
Highway infrastructure	39,506,814	—	39,506,814	—
Bridge infrastructure	19,782,641	—	19,782,641	—
Waterway infrastructure	36,321	—	36,321	—
Infrastructure-other	344,758	—	344,758	—
Library books	—	—	—	70,654
Other capital assets	—	—	—	2
Intangible right-to-use assets	1,623,308	437,726	2,061,034	202,264
Other intangible assets	1,446,203	115,127	1,561,330	82,271
Less: accumulated depreciation and amortization	(40,940,537)	(759,344)	(41,699,881)	(10,476,479)
Net depreciable or amortizable capital assets	<u>34,791,969</u>	<u>899,578</u>	<u>35,691,547</u>	<u>8,491,338</u>
Other assets	—	4,881	4,881	1,150,870
Total noncurrent assets	<u>52,695,248</u>	<u>5,178,681</u>	<u>57,873,929</u>	<u>23,705,441</u>
TOTAL ASSETS	<u>90,738,110</u>	<u>11,398,051</u>	<u>102,136,161</u>	<u>32,489,362</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3, 6, 9, 10, 16	<u>\$ 10,046,308</u>	<u>\$ 376,113</u>	<u>\$ 10,422,421</u>	<u>\$ 1,102,405</u>

Commonwealth of Pennsylvania
Statement of Net Position
June 30, 2023

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 7,427,899	\$ 848,896	\$ 8,276,795	\$ 625,972
Investment purchases payable	12,085	39,244	51,329	—
Tax refunds payable	831,687	—	831,687	—
Tuition benefits payable—Note 6	—	314,134	314,134	—
Securities lending obligations	194,603	134,916	329,519	49,923
Internal balances—Note 5	185,151	(185,132)	19	—
Due to pension trust funds—Note 5	197,584	4,190	201,774	—
Due to primary government—Note 5	—	—	—	45,179
Due to component units—Note 5	12,612	20	12,632	808
Due to political subdivisions	2,528,258	6,464	2,534,722	—
Due to other governments	31,117	898,956	930,073	2
Interest payable	146,410	15,198	161,608	376,488
Unearned revenue	1,086,565	372,502	1,459,067	257,910
Notes payable—Note 16	—	—	—	166,462
General obligation bonds payable—Note 6	928,180	—	928,180	—
Bonds Payable—Note 16	—	—	—	140,165
Revenue bonds payable—Note 6, 16	—	149,895	149,895	679,030
Self-insurance liabilities—Note 6, 8	113,117	5,301	118,418	7,837
Compensated absence liability—Note 6, 16	172,267	8,086	180,353	29,956
Insurance loss liability—Note 6	—	124,936	124,936	—
Other financing obligations—Note 6	21,530	—	21,530	2,386
Other postemployment benefit liability—Note 10, 16	114,461	421	114,882	38,224
Nonexchange financial guarantees—Note 14	—	9,707	9,707	—
Installment purchase liability—Note 6	2,236	—	2,236	—
Right-to-use liability—Note 6	159,559	63,904	223,463	45,643
Other liabilities—Note 6	576,843	17,185	594,028	469,361
Total current liabilities	14,742,164	2,828,823	17,570,987	2,935,346
Noncurrent liabilities:				
Tuition benefits payable—Note 6	—	1,383,502	1,383,502	—
Due to primary government—Note 5	—	—	—	41,860
Unearned revenue	—	—	—	1,734
Student loan auction rate security bonds payable—Note 16	—	—	—	3,100
Insurance loss liability—Note 6	—	1,094,299	1,094,299	—
Notes payable—Note 16	—	—	—	2,247,411
General obligation bonds payable—Note 6	9,829,910	—	9,829,910	—
Bonds Payable—Note 16	—	—	—	2,421,407
Revenue bonds payable—Note 6, 16	—	4,177,212	4,177,212	20,883,514
Other financing obligations—Note 6, 16	460,264	—	460,264	12,071
Compensated absence liability—Note 6, 16	710,048	34,634	744,682	121,285
Self-insurance liabilities—Note 6, 8	869,841	47,851	917,692	50,777
Other postemployment benefit liability—Note 10, 16	16,719,142	574,141	17,293,283	1,563,902
Nonexchange financial guarantees—Note 14	—	909	909	—
Net pension liability—Note 9, 16	18,875,792	789,283	19,665,075	1,708,324
Installment purchase liability—Note 6	5,391	—	5,391	—
Right-to-use liability—Note 6	1,019,412	190,853	1,210,265	292,209
Other liabilities—Note 6	1,995,067	315	1,995,382	789,041
Total noncurrent liabilities	50,484,867	8,292,999	58,777,866	30,136,635
TOTAL LIABILITIES	65,227,031	11,121,822	76,348,853	33,071,981
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3, 6, 9, 10, 16	7,949,108	470,491	8,419,599	1,607,704
NET POSITION—Note 15				
Net investment in capital assets	37,541,183	898,184	38,439,367	20,729
Restricted for:				
General government operations	631	—	631	—
Health-related programs	120,344	—	120,344	58,076
Transportation	2,198,978	131,706	2,330,684	—
Capital projects	—	23,818	23,818	4,792,587
Debt service	—	—	—	567,636
Unemployment/workers' compensation	912,732	1,827,010	2,739,742	—
Elderly programs	—	181,579	181,579	—
Environmental and conservation programs	736,597	—	736,597	—
Economic development	9,972	39,272	49,244	112,826
Gaming/horse racing regulation	1,025,494	—	1,025,494	—
Correctional industries and procurement	680	—	680	—
Emergency support	109,342	130,967	240,309	—
Higher education	—	540,881	540,881	851,737
Beneficiaries	615,684	—	615,684	—
Human services	231,002	—	231,002	—
Public protection	41,429	—	41,429	—
Other purposes	—	162,108	162,108	610,631
Unrestricted	(15,935,789)	(3,753,674)	(19,689,463)	(8,102,140)
TOTAL NET POSITION (DEFICIT)	\$ 27,608,279	\$ 181,851	\$ 27,790,130	\$ (1,087,918)

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

Commonwealth of Pennsylvania
Statement of Activities

For the Fiscal Year Ended June 30, 2023

(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
Direction and supportive services	\$ 1,797,926	\$ 453,936	\$ 105,827	\$ —	\$ (1,238,163)	\$ —	\$ (1,238,163)	\$ —
Protection of persons and property	8,081,333	2,044,802	1,314,859	2,108	(4,719,564)	—	(4,719,564)	—
Public education	22,251,952	7,169	4,748,146	—	(17,496,637)	—	(17,496,637)	—
Health and human services	58,434,956	4,477,432	39,507,775	—	(14,449,749)	—	(14,449,749)	—
Economic development	2,057,874	121,368	1,025,768	—	(910,738)	—	(910,738)	—
Transportation	6,808,985	1,587,599	2,430,418	47,666	(2,743,302)	—	(2,743,302)	—
Recreation and cultural enrichment	779,801	661,198	135,978	1,263	18,638	—	18,638	—
Interest	328,606	—	—	—	(328,606)	—	(328,606)	—
Total governmental activities	100,541,433	9,353,504	49,268,771	51,037	(41,868,121)	—	(41,868,121)	—
Business-Type activities:								
State lottery	5,490,145	5,683,792	165,228	—	—	358,875	358,875	—
State workers' insurance	218,396	96,270	(195,004)	—	—	(317,130)	(317,130)	—
Tuition payment	293,249	212,268	144,829	—	—	63,848	63,848	—
Unemployment compensation	1,554,492	2,358,641	71,545	—	—	875,694	875,694	—
Commonwealth financing	335,572	7,544	53,432	—	—	(274,596)	(274,596)	—
Liquor control	2,295,550	2,552,970	9,061	—	—	266,481	266,481	—
Economic development and other	101,808	105,800	12,523	386	—	16,901	16,901	—
Total business-type activities	10,289,212	11,017,285	261,614	386	—	990,073	990,073	—
Total primary government	\$ 110,830,645	\$ 20,370,789	\$ 49,530,385	\$ 51,423	(41,868,121)	990,073	(40,878,048)	—
Component units:								
Total component units	\$ 5,815,236	\$ 3,637,606	\$ 2,674,911	\$ 287,375	\$ —	\$ —	\$ —	\$ 784,656
		General revenues:						
		Taxes:						
		Personal income			17,295,443	—	17,295,443	—
		Sales and use			15,532,863	—	15,532,863	—
		Corporation			7,557,879	—	7,557,879	—
		Liquid fuels and motor carriers			3,727,331	—	3,727,331	—
		Gaming			2,348,402	—	2,348,402	—
		Inheritance			1,520,630	—	1,520,630	—
		Cigarette			1,115,591	—	1,115,591	—
		Realty transfer			757,818	—	757,818	—
		Other			1,154,429	—	1,154,429	—
		Total taxes			51,010,386	—	51,010,386	—
		Investment earnings			727,351	—	727,351	—
		Total general revenues			51,737,737	—	51,737,737	—
		Transfers—Note 5			(606,505)	606,505	—	—
		Net general revenues and transfers			51,131,232	606,505	51,737,737	—
		Change in net position			9,263,111	1,596,578	10,859,689	784,656
		Net Position (Deficit) June 30, 2022 (restated)—Note 16, 18			18,345,168	(1,414,727)	16,930,441	(1,872,574)
		Net Position (Deficit) June 30, 2023—Note 15			\$ 27,608,279	\$ 181,851	\$ 27,790,130	\$ (1,087,918)

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



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

Fund Financial Statements

Commonwealth of Pennsylvania
Balance Sheet
Governmental Funds
June 30, 2023

(Amounts in thousands)

	General Fund	Motor License Fund	Nonmajor Funds	Total
ASSETS				
Cash—Note 2	\$ 96,385	\$ 30,664	\$ 31,409	\$ 158,458
Cash with fiscal agents—Note 2	61,307	—	1,111	62,418
Temporary investments—Note 2	20,330,528	1,439,197	5,799,929	27,569,654
Long-term investments—Note 2	1,534,175	1,134,936	3,452,300	6,121,411
Receivables (net):				
Taxes—Note 3	4,753,643	318,776	32,888	5,105,307
Accounts	2,180,187	38,017	266,759	2,484,963
Investment earnings	80,246	5,045	28,847	114,138
Interest on notes and loans	27	—	—	27
Loans—Note 3	42,292	—	—	42,292
Investment sale proceeds	—	—	5,171	5,171
Lease Rentals—Note 3	3,280	—	265	3,545
Other	120,638	25,701	—	146,339
Due from other funds—Note 5	181,948	13,113	190,709	385,770
Due from pension trust funds—Note 5	1,202	287	—	1,489
Due from component units—Note 5	59,932	164	21,224	81,320
Due from Federal Government	3,552,032	340,870	62,102	3,955,004
Due from political subdivisions	2,310	1,101	—	3,411
Due from other governments	—	493	—	493
Advances to other funds—Note 5	4,475	—	16,500	20,975
Other assets	3,000	—	—	3,000
TOTAL ASSETS	\$ 33,007,607	\$ 3,348,364	\$ 9,909,214	\$ 46,265,185
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 6,144,611	\$ 719,505	\$ 499,640	\$ 7,363,756
Investment purchases payable	—	—	12,085	12,085
Tax refunds payable	826,620	5,067	—	831,687
Securities lending obligations	9,443	57,260	126,720	193,423
Due to other funds—Note 5	188,539	67,963	346,374	602,876
Due to component units—Note 5	7,692	553	4,364	12,609
Due to pension trust funds—Note 5	188,205	6,381	2,848	197,434
Due to political subdivisions	2,223,356	75,527	229,370	2,528,253
Due to other governments	9,042	21,387	658	31,087
Unearned revenue—Note 3	925,565	64,225	96,774	1,086,564
Advances from other funds—Note 5	—	4,714	16,500	21,214
Other liabilities	428,071	—	—	428,071
TOTAL LIABILITIES	10,951,144	1,022,582	1,335,333	13,309,059
Deferred inflows of resources:				
TOTAL DEFERRED INFLOWS OF RESOURCES - Note 3	3,882,099	—	178,105	4,060,204
Fund balances—Note 15:				
Nonspendable	60,496	—	—	60,496
Restricted	114,626	2,325,782	7,613,248	10,053,656
Committed	8,265,049	—	795,672	9,060,721
Unassigned (deficit)	9,734,193	—	(13,144)	9,721,049
TOTAL FUND BALANCES	18,174,364	2,325,782	8,395,776	28,895,922
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 33,007,607	\$ 3,348,364	\$ 9,909,214	\$ 46,265,185

- 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, 2023

(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 \$ **28,895,922**

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	\$ 3,604,020	
Land improvements	1,205,100	
Buildings and building improvements	9,581,746	
Machinery and equipment	2,019,969	
Infrastructure	59,670,534	
Intangible right-to-use leases	1,309,631	
Other intangible assets	1,446,203	
Construction in progress	6,255,286	
Accumulated depreciation and amortization	<u>(40,766,465)</u>	
Net general capital assets		44,326,024

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 4,056,478

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 (20,290)

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 (22,136)

The statement of net position includes inventories that are not reported in the governmental funds balance sheet because they are not current financial resources 148,353

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..... (13,653,728)

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..... (20,004,408)

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

June 30, 2023

(Amounts in thousands)

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. 165,866

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	\$	(10,758,090)	
Accrued interest payable		(146,410)	
Lease and installment purchase liabilities		(895,019)	
Compensated absence liability		(879,104)	
Self-insurance liabilities		(979,546)	
Other financing obligations		(481,794)	
Other liabilities		<u>(2,143,839)</u>	
			<u>(16,283,802)</u>

Total Net Position—Governmental Activities **\$** **27,608,279**

- 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, 2023

(Amounts in thousands)

	General Fund	Motor License Fund	Nonmajor Funds	Total
REVENUES:				
Taxes, net of refunds	\$ 42,968,507	\$ 3,664,489	\$ 4,160,235	\$ 50,793,231
Licenses and fees	684,754	1,161,459	1,470,202	3,316,415
Intergovernmental	46,171,351	2,220,961	623,541	49,015,853
Charges for sales and services	4,250,671	80,168	814,097	5,144,936
Investment earnings	705,778	59,469	318,032	1,083,279
Interest on notes and loans	509	—	6	515
Other	449,472	5,678	274,676	729,826
TOTAL REVENUES	95,231,042	7,192,224	7,660,789	110,084,055
EXPENDITURES:				
Current:				
Direction and supportive services	1,221,402	36,232	515,264	1,772,898
Protection of persons and property	6,223,912	777,185	1,182,770	8,183,867
Health and human services	58,431,165	—	667,682	59,098,847
Public education	21,393,851	328	811,279	22,205,458
Recreation and cultural enrichment	414,876	5,773	359,304	779,953
Economic development	1,290,744	260	799,989	2,090,993
Transportation	92,568	3,018,071	1,855,084	4,965,723
Capital outlay	332,613	2,907,407	505,024	3,745,044
Debt service:				
Principal retirement	26,305	—	866,275	892,580
Interest and fiscal charges	45,651	775	459,775	506,201
TOTAL EXPENDITURES	89,473,087	6,746,031	8,022,446	104,241,564
EXCESS/(DEFICIENCY) OF REVENUES				
OVER/(UNDER) EXPENDITURES	5,757,955	446,193	(361,657)	5,842,491
OTHER FINANCING SOURCES (USES):				
Bonds issued	—	—	1,000,000	1,000,000
Premium on bonds/refunding bonds	—	—	99,652	99,652
Discount on bonds issued	—	—	(1,250)	(1,250)
Transfers in—Note 5	505,688	25,910	1,729,071	2,260,669
Transfers out—Note 5	(1,615,568)	(164,785)	(1,086,821)	(2,867,174)
Right-to-use and installment purchases	155,054	892	8,762	164,708
NET OTHER FINANCING				
SOURCES (USES)	(954,826)	(137,983)	1,749,414	656,605
NET CHANGE IN FUND BALANCES	4,803,129	308,210	1,387,757	6,499,096
FUND BALANCES, JULY 1, 2022	13,371,235	2,017,572	7,008,019	22,396,826
FUND BALANCES, JUNE 30, 2023	\$ 18,174,364	\$ 2,325,782	\$ 8,395,776	\$ 28,895,922

- 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, 2023

(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, 2023. 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..... \$ **6,499,096**

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	\$ 3,745,044	
Depreciation expense and losses on retirement or sale of assets	(2,627,958)	
Lease, installment purchase and related payments	180,819	
Net excess of capital asset additions/installment purchase payments over depreciation expense		1,297,905

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, proceeds were received from capital lease and installment purchase financing:

General obligation bonds including a premium of \$99,652 and a discount of \$1,250	\$ (1,098,402)	
Lease and installment purchase financing	(164,708)	
Total bond proceeds and lease and installment purchase financing		(1,263,110)

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: 892,580

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. 2,328

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. 318,167

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. 1,516,145

Net change in governmental net position in the statement of activities..... **\$ 9,263,111**

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

Commonwealth of Pennsylvania
Statement of Net Position
Proprietary Funds

June 30, 2023

(Amounts in thousands)

	Enterprise Funds								Internal Service Funds	
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2022)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total		
ASSETS										
Current assets:										
Cash—Note 2	\$ 670,049	\$ 1,098	\$ 1,331	\$ 7,265	\$ 46,305	\$ 1,560,319	\$ 33,391	\$ 2,319,758	\$ 1,855	
Cash with fiscal agents	1,027,211	—	—	—	—	—	1	1,027,212	—	
Temporary investments—Note 2	50,111	57,013	575,682	175,712	341,784	—	130,998	1,331,300	25,675	
Receivables (net):										
Unemployment assessments	618,923	—	—	—	—	—	—	618,923	—	
Accounts	456,307	31,032	53,652	—	5,359	—	5,025	551,375	456	
Investment earnings	203	8,596	2,314	9,126	—	—	358	20,597	99	
Interest on loans	14,046	—	—	—	—	1,317	886	16,249	—	
Loans—Note 3	—	—	—	—	—	18,482	26,303	44,785	—	
Lease rental—Note 3	—	—	—	—	—	—	11,167	11,167	—	
Investment sale proceeds	—	—	—	14,952	—	—	—	14,952	—	
Other	—	—	—	4	—	—	2	6	—	
Due from other funds—Note 5	1,810	—	495	—	29	250,929	10,807	264,070	37,243	
Due from pension trust funds—Note 5	215	—	—	—	—	—	—	215	5,014	
Due from component units—Note 5	—	—	—	—	—	—	—	—	74	
Due from Federal Government	4,248	—	—	—	—	—	1	4,249	—	
Due from political subdivisions	3,863	—	—	—	—	—	—	3,863	67	
Due from other governments	2,093	—	—	—	—	—	49	2,142	—	
Advances to other funds—Note 5	—	—	—	—	—	—	2,539	2,539	—	
Inventory	—	—	—	—	212,828	—	4	212,832	23,454	
Prepaid expenses	—	—	—	—	1,982	—	1,331	3,313	—	
Other assets	—	7,487	28,945	—	—	—	—	36,432	—	
Total current assets	2,849,079	105,226	662,419	207,059	608,287	1,831,047	222,862	6,485,979	93,937	
Noncurrent assets:										
Restricted cash	—	—	—	—	—	—	317	317	—	
Long-term investments—Note 2	—	1,128,965	3	2,181,195	—	—	213,248	3,523,411	23,349	
Receivables (net):										
Loans—Note 3	—	—	—	—	—	256,917	124,144	381,061	—	
Lease rentals—Note 3	—	—	—	—	—	—	116,070	116,070	—	
Non-depreciable capital assets—Note 4:										
Land	—	—	—	—	323	—	243,981	244,304	—	
Construction in progress	—	—	—	—	—	—	9,059	9,059	—	
Depreciable or amortizable capital assets—Note 4:										
Land improvements	—	—	—	—	—	—	175,500	175,500	192	
Buildings and building improvements	—	—	—	—	11,132	—	585,664	596,796	6,426	
Machinery and equipment	209	—	195,463	—	59,199	—	78,902	333,773	179,028	
Intangible right-to-use assets	880	558	6,429	—	429,616	—	243	437,726	313,677	
Other intangible assets	6,558	38,337	—	—	70,232	—	—	115,127	—	
Less: accumulated depreciation and amortization	(2,256)	(532)	(103,298)	—	(260,409)	—	(392,849)	(759,344)	(174,072)	
Net depreciable or amortizable capital assets	5,391	38,363	98,594	—	309,770	—	447,460	899,578	325,251	
Other assets	—	—	—	—	—	—	4,881	4,881	—	
Total noncurrent assets	5,391	1,167,328	98,597	2,181,195	310,093	256,917	1,159,160	5,178,681	348,600	
TOTAL ASSETS	2,854,470	1,272,554	761,016	2,388,254	918,380	2,087,964	1,382,022	11,664,660	442,537	
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3, 6, 9, 10	\$ 8,898	\$ 14,536	\$ 37,092	\$ —	\$ 290,835	\$ 913	\$ 23,839	\$ 376,113	\$ 29,274	

Commonwealth of Pennsylvania
Statement of Net Position
Proprietary Funds

June 30, 2023

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers'		Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	Internal Service Funds
		Insurance Fund (Dec. 31, 2022)	State Lottery Fund						
LIABILITIES									
Current liabilities:									
Accounts payable and accrued liabilities	\$ 109,629	\$ 6,093	\$ 344,981	\$ 8,040	\$ 368,520	\$ 48	\$ 11,585	\$ 848,896	\$ 64,144
Investment purchases payable	—	—	—	39,244	—	—	—	39,244	—
Tuition benefits payable—Note 6	—	—	—	314,134	—	—	—	314,134	—
Securities lending obligations	—	21,867	—	102,291	—	—	10,758	134,916	1,178
Due to other funds—Note 5	1,548	—	467	—	75,951	715	189	78,870	5,053
Due to pension trust funds—Note 5	—	—	197	—	3,795	—	198	4,190	150
Due to component units—Note 5	—	—	—	—	20	—	—	20	3
Due to political subdivisions	—	—	6,408	—	—	—	56	6,464	4
Due to other governments	896,073	—	1,818	—	1,033	—	32	898,956	30
Interest payable	—	—	—	—	—	15,198	—	15,198	—
Unearned revenue	—	32,320	3,206	—	—	335,000	1,976	372,502	—
Revenue bonds payable—Note 6	—	—	—	—	—	149,895	—	149,895	—
Self-insurance liabilities—Note 8	13	68	160	—	4,946	—	114	5,301	340
Compensated absences—Note 6	—	432	685	—	6,468	—	501	8,086	610
Insurance loss liability—Note 6	—	124,936	—	—	—	—	—	124,936	—
Advances from other funds—Note 5	—	2,607	—	—	—	—	—	2,607	—
Other postemployment benefit liability—Note 10	—	—	—	—	183	—	238	421	—
Nonexchange financial guarantees—Note 14	—	—	—	—	—	9,707	—	9,707	—
Installment purchase liability—Note 6	—	—	—	—	—	—	—	—	221
Right-to-use liability—Note 6	—	123	672	—	63,098	—	11	63,904	8,619
Other liabilities	—	17,176	—	—	—	—	9	17,185	—
Total current liabilities	1,007,263	205,622	358,594	463,709	524,014	510,563	25,667	3,095,432	80,352
Noncurrent liabilities:									
Tuition benefits payable—Note 6	—	—	—	1,383,502	—	—	—	1,383,502	—
Insurance loss liability—Note 6	—	1,093,902	—	—	—	—	397	1,094,299	—
Revenue bonds payable—Note 6	—	—	—	—	—	4,177,212	—	4,177,212	—
Compensated absences—Note 6	—	1,842	2,921	162	27,573	—	2,136	34,634	2,601
Self-insurance liabilities—Note 8	114	610	1,447	—	44,658	—	1,022	47,851	3,072
Other postemployment benefit liability—Note 10	1,448	26,621	51,157	—	466,390	—	28,525	574,141	36,243
Nonexchange financial guarantees—Note 14	—	—	—	—	—	909	—	909	—
Net pension liability—Note 9	1,622	40,131	75,813	—	625,026	—	46,691	789,283	67,493
Installment purchase liability—Note 6	—	—	—	—	—	—	—	—	710
Right-to-use liability—Note 6	—	230	1,106	—	189,517	—	—	190,853	282,029
Other liabilities	—	—	—	—	—	—	315	315	—
Total noncurrent liabilities	3,184	1,163,336	132,444	1,383,664	1,353,164	4,178,121	79,086	8,292,999	392,148
TOTAL LIABILITIES	1,010,447	1,368,958	491,038	1,847,373	1,877,178	4,688,684	104,753	11,388,431	472,500
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3, 6, 9, 10	20,520	20,125	28,675	—	239,421	11,853	149,897	470,491	21,447
NET POSITION—Note 15									
Net investment in capital assets	5,391	38,010	96,816	—	57,478	—	700,489	898,184	33,672
Restricted for:									
Transportation	—	—	—	—	—	—	131,706	131,706	—
Capital projects	—	—	—	—	—	—	23,818	23,818	—
Unemployment/workers' compensation	1,827,010	—	—	—	—	—	—	1,827,010	—
Elderly programs	—	—	181,579	—	—	—	—	181,579	—
Economic development	—	—	—	—	—	—	39,272	39,272	—
Correctional industries and procurement	—	—	—	—	—	—	—	—	680
Emergency support	—	—	—	—	—	—	130,967	130,967	—
Higher education	—	—	—	540,881	—	—	—	540,881	—
Other purposes	—	—	—	—	—	—	162,108	162,108	—
Unrestricted	—	(140,003)	—	—	(964,862)	(2,611,660)	(37,149)	(3,753,674)	(56,488)
TOTAL NET POSITION (DEFICIT)	\$ 1,832,401	\$ (101,993)	\$ 278,395	\$ 540,881	\$ (907,384)	\$ (2,611,660)	\$ 1,151,211	\$ 181,851	\$ (22,136)

- 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, 2023

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2022)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	Internal Service Funds
	Fund	(Dec. 31, 2022)	Fund	Fund	Fund	Authority	Funds	Total	Funds
OPERATING REVENUES:									
Sales and services - Note 3	\$ 2,358,640	\$ 95,772	\$ 5,683,791	\$ 212,268	\$ 2,552,966	\$ 573	\$ 59,683	\$ 10,963,693	\$ 132,487
Interest on loans	—	—	—	—	—	5,565	2,887	8,452	—
Other	—	498	—	—	—	1,406	775	2,679	—
OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS	2,358,640	96,270	5,683,791	212,268	2,552,966	7,544	63,345	10,974,824	132,487
Provision for uncollectible accounts	—	—	—	—	—	(9,815)	(228)	(10,043)	—
NET OPERATING REVENUES	2,358,640	96,270	5,683,791	212,268	2,552,966	(2,271)	63,117	10,964,781	132,487
OPERATING EXPENSES:									
Cost of sales and services	1,552,908	216,466	5,480,224	291,860	2,212,561	146,972	58,710	9,959,701	98,282
Depreciation and amortization	1,546	409	9,885	—	78,182	—	35,955	125,977	28,449
Other	—	—	—	—	—	7	4,680	4,687	—
TOTAL OPERATING EXPENSES	1,554,454	216,875	5,490,109	291,860	2,290,743	146,979	99,345	10,090,365	126,731
OPERATING INCOME (LOSS)	804,186	(120,605)	193,682	(79,592)	262,223	(149,250)	(36,228)	874,416	5,756
NONOPERATING REVENUES (EXPENSES):									
Investment earnings	8,117	(195,004)	25,229	144,829	9,061	53,432	11,495	57,159	1,763
Interest expense	(38)	(5)	(36)	—	(4,807)	(178,778)	(2)	(183,666)	(5,163)
Investment expense	—	(1,516)	—	(1,389)	—	—	—	(2,905)	—
Grants and other revenues	63,429	—	140,000	—	4	—	43,483	246,916	—
Other expenses	—	—	—	—	—	—	(2,233)	(2,233)	(28)
NONOPERATING REVENUES (EXPENSES), NET	71,508	(196,525)	165,193	143,440	4,258	(125,346)	52,743	115,271	(3,428)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	875,694	(317,130)	358,875	63,848	266,481	(274,596)	16,515	989,687	2,328
TRANSFERS AND CONTRIBUTIONS:									
Capital contributions	—	—	—	—	—	—	386	386	—
Transfers in—Note 5	—	—	89,300	—	—	943,165	21,862	1,054,327	—
Transfers out—Note 5	(1,600)	—	(255,907)	—	(190,315)	—	—	(447,822)	—
TRANSFERS AND CONTRIBUTIONS, NET	(1,600)	—	(166,607)	—	(190,315)	943,165	22,248	606,891	—
INCREASE/(DECREASE) IN NET POSITION	874,094	(317,130)	192,268	63,848	76,166	668,569	38,763	1,596,578	2,328
TOTAL NET POSITION (DEFICIT), JULY 1, 2022 (restated)—Note 18	958,307	215,137	86,127	477,033	(983,550)	(3,280,229)	1,112,448	(1,414,727)	(24,464)
TOTAL NET POSITION (DEFICIT), JUNE 30, 2023	\$ 1,832,401	\$ (101,993)	\$ 278,395	\$ 540,881	\$ (907,384)	\$ (2,611,660)	\$ 1,151,211	\$ 181,851	\$ (22,136)

- 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, 2023

(Amounts in thousands)

	Enterprise Funds								Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2022)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:									
Receipts from employers	\$ 2,112,166	\$ 86,643	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,198,809	\$ —
Receipts from customers and participants	—	—	5,671,900	212,268	2,555,963	—	52,197	8,492,328	127,998
Receipts from borrowers for fees and loan repayments	—	—	—	—	—	30,847	29,640	60,487	—
Receipt of premiums	—	—	—	—	—	—	4,315	4,315	—
Payments to programs for the elderly	—	—	(987,488)	—	—	—	—	(987,488)	—
Payments to prize winners	—	—	(3,931,919)	—	—	—	—	(3,931,919)	—
Payments to participants	—	—	—	(248,446)	—	—	—	(248,446)	—
Payments to claimants	(820,489)	88,875	—	—	—	—	—	(731,614)	—
Payments to borrowers	—	—	—	—	—	(17,424)	(17,386)	(34,810)	—
Payments for vendors, employees and other costs	—	(213,656)	(631,819)	(8,279)	(2,125,502)	(5,048)	(69,422)	(3,053,726)	(92,599)
Payments of grants and loan guarantees	—	—	—	—	—	(149,321)	—	(149,321)	—
Other receipts	—	498	—	—	—	—	421	919	242
Other payments	—	—	—	—	—	(6)	—	(6)	—
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	1,291,677	(37,640)	120,674	(44,457)	430,461	(140,952)	(235)	1,619,528	35,641
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:									
Net advances from (to) other funds	—	13	—	—	—	—	363	376	—
Principal payments on other non-capital debt	—	—	—	—	—	(143,900)	—	(143,900)	—
Interest payments on other non-capital debt	—	—	—	—	—	(189,636)	—	(189,636)	—
Transfers in	—	—	89,300	—	—	1,139,465	47	1,228,812	—
Transfers out	(1,600)	—	(255,907)	—	(190,124)	—	—	(447,631)	—
Grants and other revenues	82,530	—	140,000	—	—	—	1,390	223,920	1
Bond issuance costs	—	—	—	—	—	—	(2,233)	(2,233)	—
Right-to-use lease interest	—	—	—	—	—	—	7,285	7,285	—
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	80,930	13	(26,607)	—	(190,124)	805,929	6,852	676,993	1
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Acquisition and construction of capital assets	(209)	(38,337)	(64,226)	—	(25,661)	—	10,743	(117,690)	(31,606)
Proceeds from disposal of capital assets	—	—	—	—	46	—	—	46	1,927
Principal paid on capital financing	(880)	(82)	(912)	—	(62,971)	—	(65)	(64,910)	(7,835)
Interest paid on capital financing	(38)	(5)	(36)	—	(4,807)	—	(2)	(4,888)	(5,163)
Transfers in	—	—	—	—	—	—	23,199	23,199	—
Capital contributions	—	—	—	—	—	—	386	386	—
Maintenance payments	—	—	—	—	—	—	(325)	(325)	—
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(1,127)	(38,424)	(65,174)	—	(93,393)	—	33,936	(164,182)	(42,677)
CASH FLOWS FROM INVESTING ACTIVITIES:									
Purchase of investments	(19,051)	(1,088,091)	(2,033,361)	(1,287,855)	(1,791,624)	—	(106,164)	(6,326,146)	(278,979)
Sales and maturities of investments	3,358	1,128,462	1,982,283	1,283,624	1,648,194	—	72,453	6,118,374	285,563
Investment earnings	7,939	36,151	23,314	49,729	9,061	53,432	9,167	188,793	1,441
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(7,754)	76,522	(27,764)	45,498	(134,369)	53,432	(24,544)	(18,979)	8,025
NET INCREASE (DECREASE) IN CASH	1,363,726	471	1,129	1,041	12,575	718,409	16,009	2,113,360	990
CASH AT JULY 1, 2022	333,534	627	202	6,224	33,730	841,910	17,700	1,233,927	865
CASH AT JUNE 30, 2023 (including \$317 in restricted assets)	\$ 1,697,260	\$ 1,098	\$ 1,331	\$ 7,265	\$ 46,305	\$ 1,560,319	\$ 33,709	\$ 3,347,287	\$ 1,855

Commonwealth of Pennsylvania
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2023

(Amounts in thousands)

	Enterprise Funds								Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2022)	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)	\$ 804,186	\$ (120,605)	\$ 193,682	\$ (79,592)	\$ 262,223	\$ (149,250)	\$ (36,228)	\$ 874,416	\$ 5,756
Depreciation and amortization of capital assets	1,546	409	9,885	—	78,182	—	35,955	125,977	28,449
Amortization of other assets	—	—	—	—	—	—	4,680	4,680	—
Provision for uncollectible accounts	—	—	—	—	—	(9,815)	228	(9,587)	—
Other adjustments	—	—	—	—	—	—	—	—	(1,927)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:									
Unemployment assessments receivable	7,340	—	—	—	—	—	—	7,340	—
Accounts receivable	(269,392)	2,256	(2,875)	—	3,070	—	30	(266,911)	205
Interest on loans receivable	(2,050)	—	—	—	—	21	167	(1,862)	—
Loans receivable	—	—	—	—	—	25,487	12,751	38,238	—
Lease rental receivable	—	—	—	—	—	—	(3,745)	(3,745)	—
Other receivables	—	—	—	(2)	—	—	—	(2)	—
Due from other funds	(1,520)	—	678	—	(26)	—	(3,779)	(4,647)	(5,148)
Due from pension trust funds	(215)	—	—	—	—	—	—	(215)	572
Due from component units	—	—	—	—	—	—	—	—	(5)
Due from political subdivisions	1,243	—	—	—	—	—	—	1,243	(52)
Due from other governments	8,492	—	—	—	—	—	11	8,503	10
Inventory	—	—	—	—	(3,182)	—	—	(3,182)	(3,832)
Prepaid expenses	—	—	—	—	(1,013)	—	—	(1,013)	—
Other current and noncurrent assets	—	(1,943)	97	—	—	—	(185)	(2,031)	—
Deferred outflows	9,628	(5,548)	(10,363)	—	(81,458)	—	(5,914)	(93,655)	(8,735)
Accounts payable and accrued liabilities	(14,273)	(1,580)	(72,703)	2,120	114,672	(14)	(3,985)	24,237	19,667
Tuition benefits payable	—	—	—	33,044	—	—	—	33,044	—
Due to other funds	1,498	—	(456)	(37)	56,682	54	(82)	57,659	647
Due to pension trust funds	(7)	—	(171)	—	347	—	27	196	(215)
Due to component units	—	—	—	—	20	—	(35)	(15)	3
Due to political subdivisions	—	—	1,806	—	—	—	23	1,829	(1)
Due to other governments	757,170	—	(55)	—	62	—	5	757,182	(46)
Unearned revenue	—	(3,894)	572	—	—	—	190	(3,132)	—
Self-insurance liabilities	50	(41)	11	—	673	—	(24)	669	(48)
Compensated absences	—	(27)	(120)	10	(3,208)	—	(96)	(3,441)	(224)
Insurance loss liability	—	96,457	—	—	—	—	105	96,562	—
Other postemployment benefit liability	(1,640)	(1,392)	(1,659)	—	(23,741)	—	(489)	(28,921)	(2,772)
Nonexchange financial guarantees	—	—	—	—	—	(7,435)	—	(7,435)	—
Net pension liability	(1,529)	14,271	26,334	—	220,800	—	17,022	276,898	22,612
Other current and noncurrent liabilities	—	(1,136)	—	—	—	—	3	(1,133)	—
Deferred inflows	(8,850)	(14,867)	(23,989)	—	(193,642)	—	(16,870)	(258,218)	(19,275)
Total Adjustments	487,491	82,965	(73,008)	35,135	168,238	8,298	35,993	745,112	29,885
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 1,291,677	\$ (37,640)	\$ 120,674	\$ (44,457)	\$ 430,461	\$ (140,952)	\$ (235)	\$ 1,619,528	\$ 35,641
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:									
Increase (decrease) in fair value of investments during the fiscal year	\$ —	\$ (229,659)	\$ —	\$ 84,960	\$ —	\$ —	\$ 2,047	\$ (142,652)	\$ 252
Increase (decrease) in investment receivables	177	—	1,913	3,020	—	—	283	6,675	69
Increase in investment payables	—	(1,298)	—	—	2,731	—	—	1,433	—
Increase (decrease) in investments from changes in securities lending obligations	—	5,749	—	45,989	—	—	2,755	54,493	406
Disposals of capital assets	—	(1,130)	—	—	3,028	—	(18,628)	(16,730)	(5,760)
Right-to-use asset acquisitions	—	202	—	—	51,098	—	—	51,300	—
Right-to-use asset terminations	—	—	—	—	(915)	—	—	(915)	—
Amortization of bond premium/discount and deferred refunding loss (net)	—	—	—	—	—	(10,253)	—	(10,253)	—
Transfers from other funds (accruals)	—	—	—	—	—	196,300	23,593	219,893	—
Transfers to other funds (accruals)	—	—	—	—	(10,735)	—	—	(10,735)	—

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, 2023

(Amounts in thousands)

	Custodial Funds		
	Pension (and Other Employee Benefit) Trust Funds	Custodial Funds	External Investment Pool
			INVEST Program for Local Governments Dec. 31, 2022
ASSETS			
Cash—Note 2	\$ 324,187	\$ 21,170	\$ 217
Cash with fiscal agents	—	14,729	—
Temporary investments—Note 2	319,957	120,576	1,026,559
Long-term investments—Note 2	1,063,376	5,026,081	—
Short-term funds—Note 2	7,324,843	—	—
Corporate obligations—Note 2	2,607,136	—	—
Collective trust funds—Note 2	16,367,283	—	—
Real estate—Note 2	10,288,247	—	—
Alternative—Note 2	25,948,816	—	—
Securities lending collateral—Note 2	6,337,467	—	—
Asset-backed securities—Note 2	539,150	—	—
Domestic equities—Note 2	22,282,314	—	—
International equities—Note 2	8,414,631	—	—
International public debt securities—Note 2	409,145	—	—
Mortgage-backed securities—Note 2	337,345	—	—
Private placements—Note 2	271,927	—	—
U.S. Treasury obligations—Note 2	14,401,602	—	—
U.S. government agency debt securities—Note 2	49,108	—	—
Receivables (net):			
Taxes—Note 3	—	77,901	—
Accounts	—	657,823	—
Investment earnings	398,206	521	—
Interest on notes and loans	—	—	1,819
Pension contributions	1,840,867	—	—
Investment sale proceeds	513,682	—	3,474
Other	45,702	—	—
Due from other funds—Note 5	18,718	—	—
Due from pension trust funds—Note 5	1,625	—	—
Due from component units—Note 5	15,313	—	—
Due from political subdivisions	5,085	—	—
Due from other governments	783	—	—
Depreciable or amortizable capital assets:			
Machinery and equipment	13,152	—	—
Intangible right-to-use assets	34,564	—	—
Other intangible assets	45,264	—	—
Less: accumulated depreciation and amortization	(57,100)	—	—
Net depreciable or amortizable capital assets	35,880	—	—
Other assets	25,145	551,813	—
TOTAL ASSETS	120,187,540	6,470,614	1,032,069
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3	53,028	—	—
LIABILITIES			
Accounts payable and accrued liabilities	184,797	39,162	100
Investment purchases payable	973,320	1,501	3,563
Securities lending obligations	6,657,424	2,301	—
Due to other funds—Note 5	205	—	—
Due to pension trust funds—Note 5	3,982	—	—
Due to political subdivisions	—	149,272	—
Interest payable	628	—	3,642
Other postemployment benefit liability—Note 10	70,306	—	—
Net pension liability—Note 9	97,252	—	—
Right-to-use liability—Note 6,14	23,809	—	—
Other liabilities	754,953	6,734	—
TOTAL LIABILITIES	8,766,676	198,970	7,305
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3	35,162	—	—
NET POSITION			
Restricted for:			
Pension benefits	106,027,209	—	—
Postemployment healthcare benefits	1,415,902	—	—
Employee salary deferrals	3,995,619	—	—
INVEST Program participants	—	—	1,024,764
Tuition Account Investment Program participants	—	4,629,108	—
Beneficiaries	—	1,642,536	—
TOTAL NET POSITION	\$ 111,438,730	\$ 6,271,644	\$ 1,024,764

- 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, 2023

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Custodial Funds	
		Custodial Funds	External Investment Pool INVEST Program for Local Governments Dec. 31, 2022
ADDITIONS:			
Contributions:			
Pension:			
Employer	\$ 8,134,192	\$ —	\$ —
Employee	2,266,055	—	—
Transfer in from other plans	106,395	—	—
Total contributions	<u>10,506,642</u>	<u>—</u>	<u>—</u>
Investment earnings:			
Net increase (decrease) in fair value of investments	(4,848,094)	288,589	—
Interest income	1,313,050	227,891	19,288
Dividend income	663,854	—	—
Rental and other income	379,942	—	—
Total investment activity earnings	<u>(2,491,248)</u>	<u>516,480</u>	<u>19,288</u>
Less investment expenses:			
Investment activity expense	(564,462)	(907)	(1,208)
Net investment earnings	<u>(3,055,710)</u>	<u>515,573</u>	<u>18,080</u>
Securities lending activities:			
Income	405,293	—	—
Expenses	(379,512)	—	—
Total securities lending income	<u>25,781</u>	<u>—</u>	<u>—</u>
Total net investment earnings	<u>(3,029,929)</u>	<u>515,573</u>	<u>18,080</u>
Share transactions (at net asset value of \$1.00 per share):			
Shares issued in lieu of cash distributions	—	—	12,522
Shares purchased/redeemed (net)	—	154,985	113,838
Net increase in net position from share transactions	<u>—</u>	<u>154,985</u>	<u>126,360</u>
Tax collections for other governments	—	1,396,595	—
Member resources	—	102,233	—
Other additions	—	90,813	—
TOTAL ADDITIONS	<u>7,476,713</u>	<u>2,260,199</u>	<u>144,440</u>
DEDUCTIONS:			
Benefit payments	12,642,558	—	—
Refunds of contributions	76,063	—	—
Transfers to other plans	197,532	—	—
Administrative expenses	129,479	32,508	—
Payments of taxes to other governments	—	1,398,622	—
Distributions to participants	8,056	—	18,079
Member/claimant distributions	—	154,780	—
Other expenses	5,279	9,401	—
TOTAL DEDUCTIONS	<u>13,058,967</u>	<u>1,595,311</u>	<u>18,079</u>
CHANGE IN FIDUCIARY NET POSITION:			
Pension benefits	(4,909,028)	—	—
Postemployment healthcare benefits	148,498	—	—
Employee salary deferrals	(821,724)	—	—
INVEST program participants	—	—	126,361
Tuition Account Investment Program participants	—	551,968	—
Beneficiaries	—	112,920	—
TOTAL CHANGE IN FIDUCIARY NET POSITION	<u>(5,582,254)</u>	<u>664,888</u>	<u>126,361</u>
NET POSITION, JULY 1, 2022	<u>117,020,984</u>	<u>5,606,756</u>	<u>898,403</u>
TOTAL NET POSITION, JUNE 30, 2023	<u>\$ 111,438,730</u>	<u>\$ 6,271,644</u>	<u>\$ 1,024,764</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, 2023

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2023)	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	\$ 1,177,701	\$ 1,228,729	\$ 50,378	\$ 217,537	\$ 167,754	\$ 71,946	\$ 2,914,045
Cash with fiscal agents	—	—	—	—	—	345	345
Temporary investments—Note 16	869,337	1,001	907,286	1,660,534	502,772	326,416	4,267,346
Receivables (net):							
Accounts	136,610	—	50,730	837	106,595	10,628	305,400
Investment earnings	18,367	3,722	368	3,561	—	162	26,180
Interest on notes and loans	—	16,403	116,768	4,872	—	2,363	140,406
Loans—Note 16	—	132,578	490,499	192,640	1,002	62,077	878,796
Lease rentals	829	—	—	—	1,199	262	2,290
Other	—	55,623	—	—	40,463	505	96,591
Due from primary government—Note 5	12,483	—	5,002	4,173	2,884	—	24,542
Due from component units—Note 5	—	620	—	188	—	—	808
Due from Federal Government	—	—	2,102	3,485	—	5,565	11,152
Due from other governments	1,069	—	—	—	—	—	1,069
Inventory	23,147	—	—	—	—	970	24,117
Prepaid expenses	—	—	6,203	—	49,020	1,201	56,424
Other assets	—	4,722	22,255	—	7,422	11	34,410
Total current assets	<u>2,239,543</u>	<u>1,443,398</u>	<u>1,651,591</u>	<u>2,087,827</u>	<u>879,111</u>	<u>482,451</u>	<u>8,783,921</u>
Noncurrent assets:							
Restricted cash	—	—	—	—	51,462	1,419	52,881
Long-term investments—Note 16	1,037,627	527,527	—	—	1,286,282	27,644	2,879,080
Receivables (net):							
Loans—Note 16	—	4,500,673	1,675,594	2,532,261	715	272,665	8,981,908
Lease rentals	38,853	—	—	—	13,890	5,806	58,549
Non-depreciable capital assets—Note 16							
Land	475,462	2,454	8,179	—	33,789	6,689	526,573
Construction in progress	1,481,794	—	—	—	68,789	13,659	1,564,242
Depreciable or amortizable capital assets—Note 16							
Land improvements	190,080	—	—	—	355,467	12,071	557,618
Buildings and building improvements	1,099,651	60,659	72,923	—	3,879,202	821,251	5,933,686
Machinery and equipment	650,946	12,715	35,714	—	568,466	240,377	1,508,218
Turnpike infrastructure	10,613,104	—	—	—	—	—	10,613,104
Library books	—	—	—	—	70,262	392	70,654
Other capital assets	—	—	—	—	—	2	2
Intangible right-to-use assets	—	7,127	46,735	—	130,531	17,871	202,264
Other intangible assets	—	—	80,383	—	—	1,888	82,271
Less: accumulated depreciation and amortization	(7,346,262)	(25,929)	(171,344)	—	(2,385,040)	(547,904)	(10,476,479)
Net depreciable or amortizable capital assets	<u>5,207,519</u>	<u>54,572</u>	<u>64,411</u>	<u>—</u>	<u>2,618,888</u>	<u>545,948</u>	<u>8,491,338</u>
Other assets	139,978	54,390	—	—	949,981	6,521	1,150,870
Total noncurrent assets	<u>8,381,233</u>	<u>5,139,616</u>	<u>1,748,184</u>	<u>2,532,261</u>	<u>5,023,796</u>	<u>880,351</u>	<u>23,705,441</u>
TOTAL ASSETS	<u>10,620,776</u>	<u>6,583,014</u>	<u>3,399,775</u>	<u>4,620,088</u>	<u>5,902,907</u>	<u>1,362,802</u>	<u>32,489,362</u>
DEFERRED OUTFLOWS OF RESOURCES							
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 16	399,559	47,531	138,061	5,213	485,157	26,884	1,102,405

Commonwealth of Pennsylvania
Statement of Net Position
Discretely Presented Component Units
June 30, 2023

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2023)	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	\$ 276,095	\$ 3,552	\$ 126,196	\$ 1,784	\$ 193,603	\$ 24,742	\$ 625,972
Securities lending obligations	—	—	—	48,564	—	1,359	49,923
Due to primary government—Note 5	5,102	45	1,522	17,381	28	21,101	45,179
Due to component units—Note 5	—	188	—	620	—	—	808
Due to other governments	—	—	—	—	—	2	2
Interest payable	337,068	34,276	4,709	—	—	435	376,488
Unearned revenue	122,463	—	24	—	132,848	2,575	257,910
Notes payable—Note 16	—	3,822	162,640	—	—	—	166,462
Bonds Payable—Note 16	—	—	—	8,080	132,085	—	140,165
Revenue bonds payable—Note 16	527,900	140,420	—	—	—	10,710	679,030
Self-insurance liabilities	3,839	—	—	—	3,998	—	7,837
Compensated absences	9,631	—	—	166	19,353	806	29,956
Other financing obligations—Note 16	—	—	560	—	—	1,826	2,386
Other postemployment benefit liability—Note 16	—	—	—	—	37,387	837	38,224
Lease liability	—	—	19,444	—	24,604	1,595	45,643
Other liabilities	—	321,897	22,258	—	125,204	2	469,361
Total current liabilities	1,282,098	504,200	337,353	76,595	669,110	65,990	2,935,346
Noncurrent liabilities:							
Due to primary government—Note 5	—	—	—	41,860	—	—	41,860
Unearned revenue	—	—	—	—	1,734	—	1,734
Student loan auction rate security bonds payable—Note 16	—	—	3,100	—	—	—	3,100
Notes payable—Note 16	—	271,750	1,975,661	—	—	—	2,247,411
Bonds Payable—Note 16	—	—	—	—	2,421,407	—	2,421,407
Revenue bonds payable—Note 16	16,566,893	4,228,010	—	74,972	—	13,639	20,883,514
Other financing obligations—Note 16	—	—	—	—	—	12,071	12,071
Compensated absences	7,880	—	9,877	710	100,120	2,698	121,285
Self-insurance liabilities	33,783	—	—	—	16,994	—	50,777
Other postemployment benefit liability—Note 16	—	92,761	205,702	4,230	1,227,831	33,378	1,563,902
Net pension liability—Note 16	331,574	39,723	260,049	10,651	1,027,783	38,544	1,708,324
Lease liability	—	—	2,679	—	274,280	15,250	292,209
Other liabilities	63,846	655,525	—	—	69,331	339	789,041
Total noncurrent liabilities	17,003,976	5,287,769	2,457,068	132,423	5,139,480	115,919	30,136,635
TOTAL LIABILITIES	18,286,074	5,791,969	2,794,421	209,018	5,808,590	181,909	33,071,981
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 16	318,876	59,557	244,341	2,338	955,042	27,550	1,607,704
NET POSITION							
Net investment in capital assets	(1,476,501)	22,901	49,907	—	870,363	554,059	20,729
Restricted for:							
Health-related programs	—	—	—	—	—	58,076	58,076
Capital projects	320,558	—	—	4,413,945	58,084	—	4,792,587
Debt service	84,920	174,602	286,982	—	—	21,132	567,636
Economic development	—	—	—	—	—	112,826	112,826
Higher education	—	—	162,185	—	689,552	—	851,737
Other purposes	—	581,516	—	—	—	29,115	610,631
Unrestricted	(6,513,592)	—	—	—	(1,993,567)	405,019	(8,102,140)
TOTAL NET POSITION (DEFICIT)	\$ (7,584,615)	\$ 779,019	\$ 499,074	\$ 4,413,945	\$ (375,568)	\$ 1,180,227	\$ (1,087,918)

- 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, 2023

(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, 2023)	Agency	Agency	Authority		Units	Total
Expenses	\$ 1,683,296	\$ 916,089	\$ 815,304	\$ 132,322	\$ 2,018,972	\$ 249,253	\$ 5,815,236
Program revenues:							
Charges for goods and services	1,596,647	274,494	423,623	34,943	1,187,083	120,816	3,637,606
Operating grants and contributions	68,678	664,796	500,710	134,557	1,176,707	129,463	2,674,911
Capital grants and contributions	170,310	—	—	67,414	29,879	19,772	287,375
TOTAL PROGRAM REVENUES	1,835,635	939,290	924,333	236,914	2,393,669	270,051	6,599,892
CHANGE IN NET POSITION	152,339	23,201	109,029	104,592	374,697	20,798	784,656
TOTAL NET POSITION (DEFICIT), JULY 1, 2022 (restated)—Note 16	(7,736,954)	755,818	390,045	4,309,353	(750,265)	1,159,429	(1,872,574)
TOTAL NET POSITION (DEFICIT), JUNE 30, 2023	\$ (7,584,615)	\$ 779,019	\$ 499,074	\$ 4,413,945	\$ (375,568)	\$ 1,180,227	\$ (1,087,918)

- 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, 2023. 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, 2022.

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, 2023.

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, 2023, 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, 2022.

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, 2023, 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022.

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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022.

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, 2022. 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Right-to-use Arrangements: Right-to-use arrangements are contracts that convey control of the right to use another party's asset for a period of time. The two types of right-to-use arrangements that the Commonwealth frequently enters into are leases and subscription-based information technology arrangements (SBITAs). 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. SBITAs are also entered into to meet operational needs and are generally cloud-based services such as software as a service, platform as a service, and infrastructure as a service. For short-term right-to-use arrangements with a maximum possible term of 12 months or less at commencement, the Commonwealth recognizes periodic revenue (leases only), or expense based on the

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

provisions of the right-to-use contract. For all other contracts where the Commonwealth is the lessee/user, the Commonwealth recognizes a liability and an intangible right-to-use asset based on the present value of future payments over the agreed upon term of the contract. Right-to-use assets are reported with capital assets, and liabilities are reported as long-term debt in the statement of net position. The right-to-use assets are amortized over the term of the contract, as the Commonwealth is not expected to lease or subscribe to 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 right-to-use agreements unless the rate the lessor or vendor 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 contract, the present value is remeasured, and corresponding adjustments made. Many right-to-use contracts include increases to payments related to the consumer price index (CPI) or similar indices, or usage, and the available index or rate increase is included in the present value at the commencement of the contract or upon remeasurement. Payments based on future performance are not included in the measurement of the liability or lease receivable but recognized as revenue or expense in the period performed. Residual value guarantees (leases only) 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 right-to-use asset reporting:

Lease contracts - all categories.....	\$100
SBITAs - all categories.....	\$1,000

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.

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:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<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.

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, 2023 and transfers in/out during the fiscal year ended June 30, 2023 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2023.

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, 2023, a portion of governmental activities net position was restricted based on a Federal Government purpose restriction.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications: Certain amounts in the June 30, 2022 financial statements have been reclassified to conform to the June 30, 2023 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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**New Accounting Pronouncements - 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 adoption of this statement had no effect on previously reported amounts.

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 adoption of this statement impacted the balances in Notes 4 and 6; however, there was no effect on the previously reported net position and fund balance.

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. Notes 4 and 6 provide details on the balances reported. The impacts of previously reported net position and fund balance are summarized in Note 18.

New Accounting Pronouncements - To Be Adopted:

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.

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. 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, 2022 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, 2022.

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, 2023:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Debt Securities				
Corporate obligations	\$ 1,857,285	\$ —	\$ 1,857,273	\$ 12
U.S. Treasury obligations	4,631,938	4,631,938	—	—
Mortgage backed securities	1,165,838	—	1,165,838	—
Private placements	293,740	—	293,740	—
State and municipal obligations	21,071	—	21,071	—
Asset backed securities	23,521	—	23,521	—
U.S. government sponsored enterprises	2,771,453	—	2,771,453	—
Commercial paper	9,754,230	—	9,754,230	—
Sovereign debt	106,671	—	106,671	—
Equity Securities				
Equity	3,541,240	3,503,150	—	38,090
Preferred securities	9,417	3,921	5,496	—
Other				
Certificates of deposits	752,101	—	752,101	—
Mutual funds	644,049	644,049	—	—
Money market mutual funds	16,420,678	15,748,580	672,098	—
Total investments by fair value level	\$ 41,993,232	\$ 24,531,638	\$ 17,423,492	\$ 38,102
Investments by Net Asset Value (NAV)				
Real estate alternative managers	65,768			
Fund of funds alternative managers	38,514			
Private equity alternative managers	88,506			
Total investments at NAV	192,788			
Total investments measured at fair value	\$ 42,186,020			

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⁾	\$ 65,768	\$ —	Monthly	n/a, 30-60 days
Fund of funds alternative managers ⁽²⁾	38,514	15,812	Monthly, Quarterly	n/a, 45-90 days
Private equity alternative managers ⁽³⁾	88,506	3,450	n/a	n/a, 60 days
Total investments at NAV	\$ 192,788	\$ 19,262		

(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.

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, real estate securities, foreign exchange contracts, and the Defined Contribution Plan’s target date funds, commingled public equity 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 income. 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 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.

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

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, 2022:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Defined Benefit Plan				
Fixed Income				
Agencies	\$ 49,108	\$ —	\$ 49,108	\$ —
Asset and mortgage backed securities	296,596	—	296,563	33
Corporates	1,113,124	—	1,093,060	20,064
Government	3,408,374	—	3,408,374	—
Sovereign debt	119,780	—	119,780	—
Private placements	271,927	—	262,198	9,729
Equity				
Domestic common and preferred stocks	10,528,723	10,526,187	2,536	—
Foreign common and preferred stocks	810,038	810,038	—	—
Real Estate				
Real estate securities	287,585	287,585	—	—
Value add/opportunistic SMA	526,808	—	—	526,808
Other Investments	372	350	22	—
Total investments by fair value level	\$ 17,412,435	\$ 11,624,160	\$ 5,231,641	\$ 556,634

Investments by Net Asset Value (NAV)

Buyouts private equity	3,618,468
Growth equity private equity	1,102,609
Legacy private credit	393,968
Legacy private equity	217,396
Special situations private equity	1,581,492
Core/core plus real estate	1,273,570
Value add/opportunistic real estate	762,045
Legacy real assets real estate	507
Opportunistic fixed income hedge funds	854,588
Legacy hedge funds	17,221
Commingled public equity funds	4,601,477
Commingled fixed income funds	1,154,876
Total investments at NAV	15,578,217
Total investments measured at fair value	32,990,652

Investments by Fair Value Level

Investments by Fair Value Level	Total	Level 1
Defined Contribution Plan		
Target date funds	\$ 88,490	\$ 88,490
Commingled public equity funds	8,480	8,480
Commingled fixed income funds	1,536	1,536
Other investments	157	157
Total investments measured at fair value	\$ 98,663	\$ 98,663

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

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.
- Legacy Private Credit Funds are closed-end (drawdown) limited partnership structures, often with a significant contractual cash flow component, with liquidity events in five to ten years. As of December 31, 2022, the SERS no longer has an asset allocation targeting this strategy as a stand-alone asset class. Several funds previously included in the Private Credit asset class were moved to the Special Situations investment strategy. The remaining funds, which are no longer considered part of SERS core investment strategy, are now classified as Legacy Private Credit. In 2021, these investments were further categorized into the following:
 - Direct Lending were funds that would lend money to privately held firms, often as part of a private equity-leveraged buyout transaction. These loans tended to be predominantly medium-duration, floating rate, and senior in the capital structure.
 - Diversified Credit were funds that invested 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 invested 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:

- 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.

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

- Core/Core Plus are a long-term investments in high-quality real estate that generate 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, 2022:

Defined Benefit Plan	Fair Value	Unfunded Commitments	Redemptions Frequency	Redemption Notice Period
Buyouts private equity	\$ 3,618,468	\$ 1,371,209	n/a	n/a
Growth equity private equity	1,102,609	264,236	n/a	n/a
Legacy private credit	393,968	174,356	n/a	n/a
Legacy private equity	217,396	36,322	n/a	n/a
Special situations private equity	1,581,492	948,567	n/a	n/a
Core/core plus real estate	1,273,570	21,870	Quarterly	60 - 90 days
Value add/opportunistic real estate	762,045	426,276	n/a	n/a
Legacy real assets real estate	507	—	Daily	None
Opportunistic fixed income hedge funds	854,588	—	Quarterly	95 days
Legacy hedge funds	17,221	—	see note (1)	see note (1)
Commingled public equity funds	4,601,477	—	Daily	30 days
Commingled fixed income funds	1,154,876	—	Quarterly	30 days
Total investments at NAV	\$ 15,578,217	\$ 3,242,836		

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

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 \$878,765 and \$8,658, as of December 31, 2022.

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.

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

- 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 income.

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 \$102,999 for December 31, 2022. 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.

The DCP has the following fair value measurements as of December 31, 2022:

Investments by Fair Value Level	Level 1
Self directed brokerage accounts	\$ 143,181
Commingled investment funds	
Target date funds	783,291
U.S. large company stock index fund	1,138,998
U.S. small/mid company index fund	371,662
U.S. bond index fund	197,819
Global non-U.S. stock index fund	171,082
Total investments by fair value level	\$ 2,806,033
Investments by Net Asset Value (NAV)	
Stable value fund	\$ 1,090,108
Total investments measured at fair value	\$ 3,896,141

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:

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

- 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.

At June 30, 2023, 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	\$ 4,834,819	\$ 2,986,284	\$ 1,848,535	\$ —
Other domestic short-term	1,259,656	1,150,294	109,362	—
International short-term	24,337	9,946	14,391	—
Fixed income				
Domestic asset backed and mortgage backed securities	579,899	—	579,899	—
U.S. government and agency obligations	10,993,228	10,987,314	5,914	—
Domestic corporate and taxable municipal bonds	1,494,012	538,188	955,824	—
International fixed income	289,365	—	289,365	—
Common and preferred stock				
Domestic equity	11,753,219	11,753,219	—	—
International equity	7,604,593	7,604,593	—	—
Directly owned real estate	1,496,700	—	—	1,496,700
Total investments by fair value level	\$ 40,329,828	\$ 35,029,838	\$ 3,803,290	\$ 1,496,700
Investments by Net Asset Value (NAV)				
Collective trust funds - fixed income	2,302,137			
Collective trust funds - equity	2,148,483			
Collective trust funds - other	2,117,309			
Equity real estate	4,258,716			
Private infrastructure	1,682,316			
Private equity alternative investments	12,789,319			
Private credit alternative investments	5,175,199			
Absolute return alternative investments	198,556			
Total investments at NAV	30,672,035			
Total investments measured at fair value	\$ 71,001,863			
Investment derivative instruments				
Futures	43,857	43,857		
Total return type swaps	(85,897)	(85,897)		
Foreign exchange contracts	33,865	33,865		
Options	2,291	2,291		
Total investment derivative instruments	\$ (5,884)	\$ (5,884)		

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

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.

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.

Private equity, equity real estate, private credit, private infrastructure, and absolute return 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, 2023 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, which include estimates of fair values, are audited by independent certified public accounting firms. 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, 2023, 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 \$136,235 of mortgage financings that were netted against the related property valuations and classified as Level 1 in FY 2022 were paid in full during FY 2023.

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, 2023 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⁾	\$ 2,302,137	\$ —	see note (1)	see note (1)
Collective trust funds - common and preferred stock ⁽¹⁾	2,148,483	—	see note (1)	see note (1)
Collective trust funds ⁽¹⁾	2,117,309	—	see note (1)	see note (1)
Equity real estate ⁽²⁾	4,258,716	2,508,928	see note (2)	see note (2)
Infrastructure ⁽⁵⁾	1,682,316	1,276,473	see note (5)	see note (5)
Private equity alternative investments ⁽³⁾	12,789,319	3,777,403	see note (3)	see note (3)
Private credit alternative investments ⁽⁴⁾	5,175,199	3,083,132	see note (4)	see note (4)
Absolute return alternative investments ⁽⁶⁾	198,556	207,733	see note (6)	see note (6)
Total investments at NAV	<u>\$ 30,672,035</u>	<u>\$ 10,853,669</u>		

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

(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.

(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 seven to twelve 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 PSERS' 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 three to ten 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 three to five 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,

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

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 seven to twelve years.

(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 seek 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. With the most recently approved strategic asset allocation, the absolute return portfolio is in liquidation. While many of the investments can be redeemed within twelve months of June 30, 2023, there are investments that include restrictions that do not allow for redemption during the next twelve months and could take as long as seven years to be fully liquidated.

The Premium Assistance investment assets have the following recurring fair value measurements as of June 30, 2023:

- PSERS Short-Term Investment Fund of \$108,367 consists of Level 1 values of \$66,934 and Level 2 values of \$41,433.

The Health Options Program (HOP) investment assets have the following recurring fair value measurements as of June 30, 2023:

- PSERS Short-Term Investment Fund of \$96,693 consists of Level 1 values of \$59,724 and Level 2 values of \$36,969.
- Other domestic short-term investments of \$324,187 consists of Level 1 values.

The Defined Contribution Plan investment assets have the following recurring fair value measurement at June 30, 2023:

- PSERS Short-Term Investment Fund of \$4,843 consists of Level 1 values of \$2,991 and Level 2 values of \$1,852.
- Other domestic short-term investments of \$6,388 consists of Level 1 values.
- DC Collective trust funds investments (DC-CTF) of \$191,535 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

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

- 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.

The Statutory Liquidator Fund has the following recurring fair value measurements as of June 30, 2023:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Debt Securities				
Corporate obligations	\$ 56,921	\$ —	\$ 56,921	\$ —
U.S. Treasury obligations	212,601	93,047	119,554	—
Private placements	2,443	—	2,443	—
U.S. government sponsored enterprises	26,247	—	26,247	—
Asset backed securities	13,972	—	13,972	—
Alternative investments	10,355	—	10,355	—
Other Securities				
Annuity	225	—	—	225
Treasury group investment ⁽¹⁾	2,741	—	2,741	—
Mutual Funds	25,181	2,755	—	22,426
Money market mutual funds	10,983	10,983	—	—
Total investments by fair value level	\$ 361,669	\$ 106,785	\$ 232,233	\$ 22,651

(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.

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, 2023, the Commonwealth had no bank balances that were subject to custodial risk because they were uninsured and uncollateralized. Statutory Liquidator Fund had deposits of \$8,876 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 \$324,187 at June 30, 2023 and are under the custody of its bank which has an A- rating by Standard and Poor's (S&P) and an A1 rating by Moody's Investors Service (Moody's).

Cash with Fiscal Agent

Within the business-type activities cash with fiscal agent, the **Unemployment Compensation Fund** reported \$1,027,211 and within the governmental activities cash with fiscal agent, the **General Fund** and the Game Fund reported \$61,307 and \$1,111, 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

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

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 \$14,729 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, 2023, the PRPA reported carrying amount of restricted cash and cash equivalents were \$317.

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, 2023, the Treasury Department and other investing organizations, excluding Statutory Liquidator, Tuition Account Investment Program, the SERS, DCP and the PSERS, reported a total of \$44,427,760 in investments. Cash equivalents amounting to \$1,530,438, 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 \$42,897,322; of this amount, excluding equities and alternative investments (\$3,541,240 and \$192,788, respectively), fixed income investments disclosed amount to \$39,163,294.

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	\$ 192,788
Asset backed securities	23,521
Certificates of deposit	752,101
Commercial paper	9,754,230
Corporate obligations	1,857,285
Equity	3,541,240
Money market mutual funds	16,420,678
Mortgage-backed securities	1,165,838
Mutual funds	644,049
Preferred securities	9,417
Private placements	293,740
Securities lending collateral pool	711,302
Sovereign debt obligations	106,671
State and municipal obligations	21,071
U.S. government sponsored enterprises	2,771,453
U.S. Treasury obligations	4,631,938
Total investments	42,897,322
Cash equivalents	1,530,438
Total investments and cash equivalents	\$ 44,427,760

In addition, at June 30, 2023, all reported investments of the Tuition Account Investment Program, amounting to \$4,625,630 consist entirely of mutual funds, \$4,602,675, and money market mutual funds, \$22,955.

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, 2023, \$1,560,319 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, 2023, \$559,373 of bank investment contracts that are not insured by the FDIC or otherwise covered by collateral or supplementary insurance. Also, at June 30, 2023, only the Statutory Liquidator Fund, a custodial fund, owned investment securities subject to custodial credit risk, in the amount of \$312,184. 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	\$ 13,972
Corporate obligations	56,921
Private placements	2,443
U.S. government agencies	26,247
U.S. Treasury obligations	212,601
Total	\$ 312,184

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, 2023:

Issuer Name	Amount	% of Treasury and Other Investing Organizations Portfolio
U.S. Treasury	\$ 4,631,938	10.9%
Dreyfus	\$ 2,504,273	5.9%
Federal Home Loan	\$ 2,231,896	5.3%
Blackrock	\$ 2,156,214	5.1%

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

Issuer Name	Amount	% of Statutory Liquidators Portfolio
PIMCO Funds	\$ 25,181	6.4%

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, 2023, \$39,163,294 of total Treasury and other investing organization investments of \$44,427,760 are fixed income investments, susceptible to credit quality rating; the remainder is primarily equities \$3,541,240, alternative investments \$192,788, cash equivalents, and various deposit accounts of \$1,530,438. Of the Treasury amount susceptible to credit quality rating, \$37,401,061 is rated; ratings are not available for \$1,408,888 of fixed income investments:

Moody's Investors Service	Amount
P-1	\$ 3,146,160
Aaa	2,210,801
Aa	37,862
A	398,858
Baa	619,982
Ba	215,958
B	62,763
Caa	12,135
Moody's Investors Service subtotal	6,704,519
Standard and Poor's	
A-1	16,913,848
AAA	30,192
AA	8,599,222
A	341,637
BBB	228,920
BB	36,730
B	18,344
CCC	224
Standard and Poor's subtotal	26,169,117
Fitch Ratings	
F-1	3,912,662
AAA	1,533
AA	7,426
A	563,874
BBB	37,824
BB	3,191
CCC	915
Fitch Ratings subtotal	4,527,425
Rated subtotal	37,401,061
Unrated subtotal	1,408,888
Total fixed income investments	\$ 38,809,949

At June 30, 2023, 0.94% (\$350,260) of rated fixed income Treasury investments of \$37,401,061 are rated below investment grade. Approximately 3.63% (\$1,408,888) 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, 2023. 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.

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

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 investment in the Commonwealth Treasury Department's STIF, which is not rated. The plan had \$8,658 in STIF as of December 31, 2022. The plan also has indirect exposure to credit risk through the commingled fixed income funds, which had a cumulative balance of \$1,500 as of December 31, 2022. These funds hold investment grade securities. The SERS' Defined Benefit Plan fixed income securities (at December 31, 2022), which are exposed to credit risk, are rated as follows:

<u>Moody's Investors Service ¹</u>	<u>Amount</u>
Aaa	\$ 340,768
Aa	177,269
A	407,099
Baa	724,156
Ba and below	145,761
Unrated ²	1,249,970
Short-term investments	878,765
Total	\$ 3,923,788

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, 2023:

<u>Standard and Poor's Equivalent ¹</u>	<u>Amount</u>
AAA	\$ 541,764
AA	3,204,630
A	791,723
BBB	312,250
BB and below	881,233
Unrated ²	5,427,923
U.S. government guaranteed ³	11,158,408
Total	\$ 22,317,931

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 \$828,136 in collective trust funds and \$1,171,432 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, 2023, which are exposed to credit risk, are rated as follows:

Moody's Investors Service	Amount
Aaa	\$ 14,108
Aa	11,147
A	11,338
Baa	32,474
P-1	73,661
Moody's Investors Service subtotal	142,728
Standard and Poor's	
AA	166,154
A	12,023
BBB	13,535
BB	99
Standard and Poor's subtotal	191,811
Fitch Ratings	
BBB	2,095
Fitch Ratings subtotal	2,095
Rated subtotal	336,634
Unrated subtotal	58,939
Total fixed income investments	\$ 395,573

The \$395,573 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, 2023, 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	\$ 20,877	1.881	\$ 2,644	\$ 23,521
Certificates of deposit	752,101	0.337	—	752,101
Commercial paper	9,754,230	0.148	—	9,754,230
Corporate obligations	1,692,501	6.305	164,784	1,857,285
Money market	16,420,678	0.080	—	16,420,678
Mortgage-backed securities	1,165,405	5.818	433	1,165,838
Mutual funds	—	—	290,704	290,704
Preferred securities	5,496	4.934	3,921	9,417
Private placements	289,865	3.816	3,875	293,740
Securities lending collateral pool	711,302	0.083	—	711,302
Sovereign debt obligations	99,871	4.225	6,800	106,671
State and municipal obligations	21,071	9.114	—	21,071
U.S. government sponsored enterprises	2,672,074	0.133	99,379	2,771,453
U.S. Treasury obligations	4,631,938	2.955	—	4,631,938
Total	\$ 38,237,409		\$ 572,540	\$ 38,809,949

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	No Maturity Date	Matures in less than 1 Year	Matures in 1 to 5 Years	Matures in 11 to 20 Years	Total
Alternative investments	\$ —	\$ 5,477	\$ 4,878	\$ —	\$ 10,355
Annuity	225	—	—	—	225
Asset backed securities	—	—	12	13,960	13,972
Cash & equivalents	21,869	—	—	—	21,869
Commonwealth investment program	2,741	—	—	—	2,741
Corporate obligations	—	25,776	31,145	—	56,921
Money markets	23,018	—	—	—	23,018
Mutual funds	25,181	—	—	—	25,181
Private placements	—	—	2,443	—	2,443
U.S. government sponsored enterprises	—	—	26,247	—	26,247
U.S. Treasury obligations	—	165,895	46,706	—	212,601
Total	\$ 73,034	\$ 197,148	\$ 111,431	\$ 13,960	\$ 395,573

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	\$ 847,471	6.5 years	9.0 years
Vanguard Total Bond Market Index Fund Institutional Shares	31,845	6.5 years	9.0 years
Vanguard Short-Term Inflation-Protected Securities Index Fund Institutional Shares	66,688	2.5 years	2.6 years
Vanguard Total International Bond Index Fund Institutional Shares	367,897	7.5 years	9.0 years
Vanguard Federal Money Market Fund	22,955	N/A	17 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	\$ 296,596	6.00
Commingled investments funds	1,154,876	5.70
Corporate obligations	1,113,124	6.70
Sovereign debt obligations	119,780	8.60
Short-term investments	878,765	0.10
U.S. Treasury obligations	3,408,374	7.60
U.S. government sponsored enterprises	49,108	3.00
U.S. private placements	271,927	3.20
Total	\$ 7,292,550	

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, 2022. The plan had \$8,658 in STIF as of December 31, 2022. The plan also has indirect exposure to interest rate risk through commingled fixed income funds, which have an average duration of approximately 5.9 years at December 31, 2022. The cumulative balance of these funds was \$1,500 as of December 31, 2022.

DCP Investment Type	Amount	Option-Adjusted Duration
Commingled investment funds	\$ 197,819	6.20
Treasury investment pool	102,317	0.10
Total	\$ 300,136	

PSERS Investment Type	Amount	Option-Adjusted Duration
Domestic asset-backed and mortgage-backed securities	\$ 579,899	0.20
U.S. government and agency obligations	10,993,228	11.10
Domestic corporate and taxable municipal bonds	1,494,012	0.50
International fixed income	289,365	1.90
Collective trust funds	2,302,137	10.10
PSERS Short-Term Investment Fund	5,044,722	0.10
Other Short-term assets	1,614,568	0.10
Total	\$ 22,317,931	

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, 2023.

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	\$ 53,237	\$ —	\$ 53,237
Canadian dollar	93,841	—	93,841
Colombian peso	639	—	639
Danish krone	27,819	—	27,819
Euro currency unit	196,815	3,921	200,736
Hong Kong dollar	101,352	—	101,352
Hungarian forint	1,651	—	1,651
Indonesian rupiah	5,628	—	5,628
Israeli shekel	2,115	—	2,115
Japanese yen	128,885	—	128,885
Malaysian ringgit	10,872	—	10,872
Mexican peso	22,001	—	22,001
New Zealand dollar	9,747	—	9,747
Norwegian krone	1,962	—	1,962
Philippines peso	5,720	—	5,720
Pound sterling	93,112	—	93,112
Singapore dollar	5,455	—	5,455
South African rand	11,525	—	11,525
Swedish krona	13,144	—	13,144
Swiss franc	50,989	—	50,989
Turkish lira	1,797	—	1,797
Thailand baht	12,039	—	12,039
Total	\$ 850,345	\$ 3,921	\$ 854,266

Within the Tuition Account Investment Program, equities of \$1,181,549 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, 2022 are as follows:

Foreign Currency	Short-Term Investments ¹	Fixed Income	Common & Preferred Stocks	Other Investments	Real Estate	Private Equity	Total
European euro	\$ 5,844	\$ 17,881	\$ 101,685	\$ 1,869	\$ 362,346	\$ 625,880	\$ 1,115,505
Swedish krona	—	—	7,585	1,371	—	101,822	110,778
British pound sterling ..	582	24,997	56,730	(1,833)	—	—	80,476
Japanese yen	205	—	39,261	3,362	—	—	42,828
Swiss franc	751	—	41,322	81	—	—	42,154
Canadian dollar	30	—	31,712	1,831	—	—	33,573
Danish krone	506	—	30,162	155	—	—	30,823
Hong Kong dollar	48	—	25,755	—	—	—	25,803
Australian dollar	140	—	19,269	3,300	—	—	22,709
New Taiwan dollar	58	—	22,131	—	—	—	22,189
South Korean won	540	—	18,325	—	—	—	18,865
Mexican peso	2	—	12,025	—	—	—	12,027
Turkish lira	—	—	7,931	—	—	—	7,931
Indonesian rupiah	122	—	7,765	—	—	—	7,887
Thai baht	—	—	7,148	—	—	—	7,148
South African rand	175	1,146	7,918	(2,296)	—	—	6,943
Norwegian krone	52	—	4,885	—	—	—	4,937
Hungarian forint	—	—	1,371	—	—	—	1,371
Philippine peso	—	—	1,244	—	—	—	1,244
Israeli shekel	—	—	1,015	—	—	—	1,015
Polish zloty	106	—	868	—	—	—	974
Brazilian real	530	—	—	—	—	—	530
Other currencies (4)	113	1,091	692	(2,814)	—	—	(918)
Total	\$ 9,804	\$ 45,115	\$ 446,799	\$ 5,026	\$ 362,346	\$ 727,702	\$ 1,596,792

1. Includes receivables and payables as of December 31, 2022 for securities sold and purchased.

In 2022, 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 2022.

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
Japanese yen	\$ 1,110,755	\$ 5,389	\$ 69,674	\$ 1,880	\$ (816,392)	\$ 371,306
British pound sterling	821,241	—	411,382	(2,331)	(868,736)	361,556
Euro	1,721,140	43,767	1,342,955	15,791	(2,873,229)	250,424
Taiwan new dollar	203,295	—	—	557	(254)	203,598
Indian rupee	189,367	—	—	483	—	189,850
Canadian dollar	848,246	—	—	6,088	(700,736)	153,598
Swiss franc	397,407	—	—	5,690	(293,153)	109,944
Danish krone	155,910	—	—	2,421	(62,991)	95,340
Hong Kong dollar	262,260	—	—	1,445	(177,068)	86,637
Other currencies	1,270,939	106,455	—	19,930	(974,046)	423,278
Total	<u>\$ 6,980,560</u>	<u>\$ 155,611</u>	<u>\$ 1,824,011</u>	<u>\$ 51,954</u>	<u>\$ (6,766,605)</u>	<u>\$ 2,245,531</u>

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, 2023, 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, 2023, 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, 2023, 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	Agency Discount Notes	Exchange Traded
State Employees' Retirement System	\$ 497,321	\$ 186,244	\$ 16,017	\$ 37,156	\$ 257,305	\$ —	\$ 599
Public School Employees' Retirement System	74	—	—	—	74	—	—
Underground Storage Tank Indemnification Fund	5,537	2,404	150	2,983	—	—	—
Workers' Compensation Security Trust Fund	21,714	4,420	993	14,882	—	—	1,419
State Workers' Insurance Fund	21,336	4,699	—	16,637	—	—	—
Other Postemployment Benefits Investment Pool	313,321	227,866	—	—	8,660	1,697	75,098
Commonwealth Investment Program	230,753	23,770	6,604	15,780	13,107	—	171,492
Tuition Payment Fund	99,703	11,575	1,392	6,174	13,694	—	66,868

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, 2023 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, 2023.

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, 2023. During the fiscal year ended June 30, 2023, 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, 2023, the fair value of loaned securities was \$6,021,858. The fair value of the associated collateral was \$6,147,770, 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 positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative 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 \$249,000 as of December 31, 2022. 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, 2022, 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)
Japanese yen	\$ 4,520	\$ 337	\$ 1,158	\$ (14)
Canadian dollar	3,464	(27)	1,633	2
Australian dollar	3,301	52	—	—
European euro	2,260	147	391	(10)
Swedish krona	1,370	25	—	—
Mexican peso	713	5	713	(7)
Danish krone	261	16	106	(3)
Swiss franc	81	—	—	—
New Zealand dollar	—	—	2,814	(22)
South African rand	—	—	2,296	(62)
British pound sterling	—	—	1,833	(90)
Total	<u>\$ 15,970</u>	<u>\$ 555</u>	<u>\$ 10,944</u>	<u>\$ (206)</u>

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, 2022.

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, 2022.

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, 2023:

Type of Derivative Instrument	Notional Value
Futures contracts - long	\$ 936,082
Foreign exchange forward and spot contracts, gross	6,812,113
Options - puts purchased	4,325,000
Swaps - total return type	9,873,910

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, 2023 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 2023, the PSERS purchased over-the-counter put options on the S&P 500 Index. The fair value of these option contracts is \$2,291 at June 30, 2023.

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 \$6,812,113 of foreign currency contracts outstanding at June 30, 2023 consist of “buy” contracts, which represent the U.S. dollar equivalents of commitments to purchase foreign currencies of \$24,376 and “sell” contracts, which represent U.S. dollar equivalents of commitments to sell foreign currencies of \$6,787,737. The unrealized gain on contracts of \$33,865 at June 30, 2023 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, 2023, 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 indexes in exchange for a short term rate minus a spread or a predetermined fixed charge. The payable on the total return

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

type swap contracts of \$(85,897) at June 30, 2023 represents the fair value of the contracts. The contracts have varying maturity dates ranging from July 31, 2023 to June 28, 2024.

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, 2023 is \$128,344.

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, 2023 consisted of the following:

	Statement of Net Position		
	Governmental Activities		
	Current	Noncurrent	Total
Sales and use	\$ 1,027,507	\$ 347,863	\$ 1,375,370
Personal income	840,935	661,116	1,502,051
Corporation	424,181	645,223	1,069,404
Liquid fuels	318,776	—	318,776
Inheritance	565,797	172,892	738,689
Cigarette	59,243	—	59,243
Other	41,774	—	41,774
Total	<u>\$ 3,278,213</u>	<u>\$ 1,827,094</u>	<u>\$ 5,105,307</u>

Taxes receivable reported on the governmental funds balance sheet and the statement of fiduciary net position at June 30, 2023 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	Collected by	Net Position
	From				August 31, 2023	August 31, 2023			Fiduciary
	By	through	After	Total					Funds
August 31, 2023	June 30, 2024	June 30, 2024		August 31, 2023	August 31, 2023	August 31, 2023			
Sales and use	\$ 938,057	\$ 89,450	\$ 347,863	\$ 1,375,370	\$ —	\$ —	\$ 41,366		
Personal income	456,934	384,001	661,116	1,502,051	—	—	—		
Corporation	163,725	260,456	645,223	1,069,404	—	—	—		
Liquid fuels	—	—	—	—	318,776	—	—		
Inheritance	232,118	333,679	172,892	738,689	—	—	—		
Cigarette	59,243	—	—	59,243	—	—	36,535		
Other	8,886	—	—	8,886	—	32,888	—		
Total	<u>\$ 1,858,963</u>	<u>\$ 1,067,586</u>	<u>\$ 1,827,094</u>	<u>\$ 4,753,643</u>	<u>\$ 318,776</u>	<u>\$ 32,888</u>	<u>\$ 77,901</u>		

On the governmental funds balance sheet, the **General Fund** taxes receivable of \$2,894,680 expected to be collected after August 31, 2023 is reported as deferred inflows of resources. The total amount of taxes receivable reported on the governmental funds balance sheet, \$3,278,213 (\$2,926,549 reported in the **General Fund**, \$318,776 reported in the **Motor License Fund**, and \$32,888 reported in nonmajor governmental funds), expected to be collected from July 1, 2023 through June 30, 2024 is also reported as current taxes receivable in governmental activities on the statement of net position. The remaining **General Fund** taxes receivable of \$1,827,094 reported on the governmental funds balance sheet expected to be collected after June 30, 2024 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, 2023 consisted of the following:

	Governmental Activities		Business-Type Activities	
	General Fund		Commonwealth	Nonmajor
			Financing Authority	Enterprise Funds
Economic development loans	\$ 28,462	\$	325,869	\$ 92,000
Volunteer fire, ambulance and rescue company loans	—		—	64,651
Environmental program loans	2,075		—	—
School district loans	15,630		—	—
Other notes and loans	110		—	—
	46,277		325,869	156,651
Less: allowance for uncollectible amounts	(3,985)		(50,470)	(6,204)
Loans receivable, net	\$ 42,292	\$	275,399	\$ 150,447

The **General Fund** reported \$27,222 in loans due after June 30, 2024, the **Commonwealth Financing Authority** (a blended component unit) reported \$256,917 in loans due after June 30, 2024, and nonmajor enterprise funds reported \$124,144 in loans due after June 30, 2024.

Uncollectible Receivables: On the statement of revenues, expenses, and changes in net position-proprietary funds, the **State Workers' Insurance Fund** reports sales and services net of \$5,333 in uncollectible amounts.

Lease Receivables:

	Governmental Activities		Business-Type Activities		Total
	Current	Noncurrent	Current	Noncurrent	
Leases receivable:					
Land	\$ 323	\$ 2,229	\$ 106	\$ 3,762	\$ 6,420
Buildings and building improvements	185	808	10,704	110,725	122,422
Equipment	—	—	357	1,583	1,940
Total	\$ 508	\$ 3,037	\$ 11,167	\$ 116,070	\$ 130,782

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, 2023, the statement of activities includes lease revenue and interest of \$541 and \$67, respectively, for governmental activities, and \$15,313 and \$5,635 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, 2023:

	General Fund	Motor License Fund	Nonmajor Funds	Total Governmental Funds
Unearned revenue	\$ 925,565	\$ 64,225	\$ 96,774	\$ 1,086,564

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, 2023. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively at June 30, 2023:

	Total Governmental Activities	Total Business-Type Activities
Deferred Outflows of Resources		
Refundings of debt	\$ 28,391	\$ 913
Asset retirement obligations	165,866	—
Pension related:		
Contributions subsequent to measurement date	958,420	37,847
Differences between expected and actual experience	270,581	11,470
Net difference between projected and actual earnings on plan investments	2,527,909	107,210
Changes of assumptions	1,263,115	53,234
Changes in proportion	549,885	23,645
Differences between employer contributions and proportionate share	30,005	1,343
Other postemployment benefits related:		
Contributions subsequent to measurement date	609,485	25,667
Differences between expected and actual experience	753,741	21,747
Net difference between projected and actual earnings on plan investments	42,136	2,299
Changes of assumptions	2,202,369	54,167
Changes in proportion	644,388	35,751
Differences between employer contributions and proportionate share	17	820
Total deferred outflows of resources	\$ 10,046,308	\$ 376,113
Deferred Inflows of Resources		
Refundings of debt	\$ 48,681	\$ 11,853
Leases right-to-use	3,726	125,871
Pension related:		
Differences between expected and actual experience	53,943	2,191
Net difference between projected and actual earnings on plan investments	4,497	—
Changes in proportion	334,251	15,161
Differences between employer contributions and proportionate share	33,992	1,459
Other postemployment benefits related:		
Differences between expected and actual experience	3,108,394	166,058
Changes of assumptions	3,789,348	107,155
Changes in proportion	572,276	38,880
Differences between employer contributions and proportionate share	—	1,863
Total deferred inflows of resources	\$ 7,949,108	\$ 470,491

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, 2023, 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, 2023:			
Taxes receivable	\$ 2,894,680	\$ —	\$ 2,894,680
Accounts receivable	826,677	177,836	1,004,513
Due from Federal Government	157,285	—	157,285
Total unavailable revenue	3,878,642	177,836	4,056,478
Leases right-to-use	3,457	269	3,726
Total deferred inflows of resources	\$ 3,882,099	\$ 178,105	\$ 4,060,204

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, 2023. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively, at June 30, 2023:

	State				Commonwealth	Nonmajor	Total	Internal
	Unemployment	Workers'	State	State	Financing	Funds	Proprietary	Service
	Compensation	Insurance	Lottery	Stores	Authority		Funds	Funds
Deferred Outflows of Resources	Fund	Fund	Fund					
Refundings of debt	\$ —	\$ —	\$ —	\$ —	\$ 913	\$ —	\$ 913	\$ —
Pension related:								
Contributions subsequent to measurement date	81	—	3,776	31,647	—	2,343	37,847	3,361
Differences between expected and actual experience	24	583	1,102	9,083	—	678	11,470	981
Net difference between projected and actual earnings on plan investments	220	5,451	10,298	84,898	—	6,343	107,210	9,168
Changes of assumptions	109	2,707	5,113	42,155	—	3,150	53,234	4,552
Changes in proportion	48	1,186	2,240	18,466	—	1,705	23,645	1,994
Differences between employer contributions and proportionate share	3	65	122	1,008	—	145	1,343	109
Other postemployment benefits related:								
Contributions subsequent to measurement date	355	1,007	2,374	20,771	—	1,160	25,667	2,052
Differences between expected and actual experience	55	1,014	1,948	18,072	—	658	21,747	1,380
Net difference between projected and actual earnings on plan investments	6	110	212	1,852	—	119	2,299	149
Changes of assumptions	131	2,413	4,637	44,379	—	2,607	54,167	3,285
Changes in proportion	7,866	—	5,270	18,504	—	4,111	35,751	2,243
Differences between employer contributions and proportionate share	—	—	—	—	—	820	820	—
Total deferred outflows of resources ..	\$ 8,898	\$ 14,536	\$ 37,092	\$ 290,835	\$ 913	\$ 23,839	\$ 376,113	\$ 29,274
Deferred Inflows of Resources								
Refundings of debt	\$ —	\$ —	\$ —	\$ —	\$ 11,853	\$ —	\$ 11,853	\$ —
Leases right-to-use	—	—	—	—	—	125,871	125,871	—
Pension related:								
Differences between expected and actual experience	5	111	210	1,735	—	130	2,191	187
Changes in proportion	29	709	1,340	11,050	—	2,033	15,161	1,193
Differences between employer contributions and proportionate share	3	73	138	1,141	—	104	1,459	124
Other postemployment benefits related:								
Differences between expected and actual experience	432	7,945	15,267	133,830	—	8,584	166,058	10,816
Changes of assumptions	267	4,906	9,429	87,252	—	5,301	107,155	6,680
Changes in proportion	19,784	6,381	2,291	4,413	—	6,011	38,880	2,447
Differences between employer contributions and proportionate share	—	—	—	—	—	1,863	1,863	—
Total deferred inflows of resources	\$ 20,520	\$ 20,125	\$ 28,675	\$ 239,421	\$ 11,853	\$ 149,897	\$ 470,491	\$ 21,447

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, 2023. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively, at June 30, 2023:

<u>Deferred Outflows of Resources</u>	<u>Pension (and Other Employee Benefit) Trust Funds</u>
Pension related:	
Contributions subsequent to measurement date	\$ 4,734
Differences between expected and actual experience	1,413
Net difference between projected and actual earnings on plan investments	13,210
Changes of assumptions	6,559
Changes in proportion	4,599
Differences between employer contributions and proportionate share	252
Other postemployment benefits related:	
Contributions subsequent to measurement date	631
Differences between expected and actual experience	2,676
Net difference between projected and actual earnings on plan investments	291
Changes of assumptions	6,371
Changes in proportion	7,665
Differences between employer contributions and proportionate share	4,627
Total deferred outflows of resources	\$ 53,028
<u>Deferred Inflows of Resources</u>	
Pension related:	
Differences between expected and actual experience	\$ 270
Changes in proportion	491
Differences between employer contributions and proportionate share	183
Other postemployment benefits related:	
Differences between expected and actual experience	20,981
Changes of assumptions	12,957
Differences between employer contributions and proportionate share	280
Total deferred inflows of resources	\$ 35,162

NOTE 4 - CAPITAL ASSETS

Changes in governmental activities capital assets for the fiscal year ended June 30, 2023 are as follows:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
Non-depreciable capital assets:				
Land	\$ 710,920	\$ 7,069	\$ 295	\$ 717,694
Highway right-of-way	2,786,239	100,087	—	2,886,326
General construction in progress	763,149	375,778	258,142	880,785
Transportation construction in progress	4,974,066	3,023,009	2,622,574	5,374,501
Subtotal	<u>9,234,374</u>	<u>3,505,943</u>	<u>2,881,011</u>	<u>9,859,306</u>
Depreciable and amortizable capital assets:				
Land improvements	1,189,909	19,714	4,331	1,205,292
Buildings and building improvements	9,419,565	270,443	101,836	9,588,172
Machinery and equipment	2,059,995	176,726	37,724	2,198,997
Highway infrastructure	37,877,409	1,629,405	—	39,506,814
Bridge infrastructure	19,260,232	533,036	10,627	19,782,641
Waterway infrastructure	36,298	23	—	36,321
Infrastructure-other	274,453	70,305	—	344,758
Software	1,259,757	279,729	93,483	1,446,003
Other intangibles	200	—	—	200
Subtotal	<u>71,377,818</u>	<u>2,979,381</u>	<u>248,001</u>	<u>74,109,198</u>
Less accumulated depreciation and amortization for:				
Land improvements	577,993	34,842	3,904	608,931
Buildings and building improvements	4,207,974	211,576	85,826	4,333,724
Machinery and equipment	1,527,893	119,600	36,832	1,610,661
Highway infrastructure	24,500,087	1,492,577	—	25,992,664
Bridge infrastructure	6,662,622	520,268	1,615	7,181,275
Waterway infrastructure	8,526	734	—	9,260
Infrastructure-other	138,661	29,094	—	167,755
Software	545,745	55,646	24,933	576,458
Other intangibles	200	—	—	200
Subtotal	<u>38,169,701</u>	<u>2,464,337</u>	<u>153,110</u>	<u>40,480,928</u>
Total depreciable and amortizable capital assets, net	<u>33,208,117</u>	<u>515,044</u>	<u>94,891</u>	<u>33,628,270</u>
Total governmental activities capital assets, net	<u>\$ 42,442,491</u>	<u>\$ 4,020,987</u>	<u>\$ 2,975,902</u>	<u>\$ 43,487,576</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, 2023, the amount of the decreases to construction in progress that resulted in increases to land and highway right-of-way totaled \$102,600.

NOTE 4 - CAPITAL ASSETS (continued)

	Balance June 30, 2022 (Restated)	Increases	Decreases	Balance June 30, 2023
Intangible right-to-use assets:				
Leases:				
Land	\$ 31,125	\$ 996	\$ 6,615	\$ 25,506
Buildings and building improvements	1,378,351	149,235	61,087	1,466,499
Machinery and equipment	28,026	4,439	12,101	20,364
Lease asset subtotal	<u>1,437,502</u>	<u>154,670</u>	<u>79,803</u>	<u>1,512,369</u>
Subscription-based information technology arrangements	108,955	1,984	—	110,939
Right-to-use asset subtotal	<u>1,546,457</u>	<u>156,654</u>	<u>79,803</u>	<u>1,623,308</u>
Less accumulated amortization for:				
Leases:				
Land	7,312	2,797	4,502	5,607
Buildings and building improvements	285,226	142,211	24,967	402,470
Machinery and equipment	16,571	5,401	12,101	9,871
Right-to-use asset subtotal	<u>309,109</u>	<u>150,409</u>	<u>41,570</u>	<u>417,948</u>
Subscription-based information technology arrangements	—	41,661	—	41,661
Right-to-use asset subtotal	<u>309,109</u>	<u>192,070</u>	<u>41,570</u>	<u>459,609</u>
Total governmental activities right-to-use assets, net	<u>\$ 1,237,348</u>	<u>\$ (35,416)</u>	<u>\$ 38,233</u>	<u>\$ 1,163,699</u>

Depreciation and amortization expense, by function, related to governmental activities capital assets for the fiscal year ended June 30, 2023 is as follows:

	Capital Assets	Right-To-Use Assets	Total
Direction and supportive services	\$ 63,359	\$ 55,413	\$ 118,772
Protection of persons and property	153,693	83,945	237,638
Public education	54,111	229	54,340
Health and human services	37,777	41,969	79,746
Economic development	1,690	77	1,767
Transportation	2,117,192	9,390	2,126,582
Recreation and cultural enrichment	36,515	1,047	37,562
Total depreciation and amortization expense	<u>\$ 2,464,337</u>	<u>\$ 192,070</u>	<u>\$ 2,656,407</u>

Impairment losses occur when there is a change in the manner or duration in which the Commonwealth is able to use an underlying asset. For the fiscal year ended June 30, 2023, The Commonwealth's impairment losses total \$9,955.

NOTE 4 - CAPITAL ASSETS (continued)

Changes in business-type activities capital assets for the fiscal year ended June 30, 2023 are as follows:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
Non-depreciable capital assets:				
Land	\$ 237,806	\$ 6,674	\$ 176	\$ 244,304
General construction in progress	2,792	16,376	10,109	9,059
Subtotal	<u>240,598</u>	<u>23,050</u>	<u>10,285</u>	<u>253,363</u>
Depreciable and amortizable capital assets:				
Land improvements	172,458	3,132	90	175,500
Buildings and building improvements	608,946	6,050	18,200	596,796
Machinery and equipment	261,416	75,403	3,046	333,773
Software	61,552	54,107	532	115,127
Subtotal	<u>1,104,372</u>	<u>138,692</u>	<u>21,868</u>	<u>1,221,196</u>
Less accumulated depreciation and amortization for:				
Land improvements	44,752	8,646	44	53,354
Buildings and building improvements	294,095	24,639	14,780	303,954
Machinery and equipment	173,953	15,256	3,027	186,182
Software	17,289	8,599	532	25,356
Subtotal	<u>530,089</u>	<u>57,140</u>	<u>18,383</u>	<u>568,846</u>
Total depreciable and amortizable capital assets, net	<u>574,283</u>	<u>81,552</u>	<u>3,485</u>	<u>652,350</u>
Total business-type activities capital assets, net	<u>\$ 814,881</u>	<u>\$ 104,602</u>	<u>\$ 13,770</u>	<u>\$ 905,713</u>
	Balance June 30, 2022 (Restated)	Increases	Decreases	Balance June 30, 2023
Intangible right-to-use assets:				
Leases:				
Buildings and building improvements	\$ 384,262	\$ 36,197	\$ 983	\$ 419,476
Machinery and equipment	371	202	—	573
Other	243	—	—	243
Lease asset subtotal	<u>384,876</u>	<u>36,399</u>	<u>983</u>	<u>420,292</u>
Subscription-based information technology arrangements	17,434	—	—	17,434
Right-to-use asset subtotal	<u>402,310</u>	<u>36,399</u>	<u>983</u>	<u>437,726</u>
Less accumulated amortization for:				
Leases:				
Buildings and building improvements	\$ 122,117	\$ 61,934	\$ 728	\$ 183,323
Machinery and equipment	105	115	—	220
Other	167	65	—	232
Right-to-use asset subtotal	<u>122,389</u>	<u>62,114</u>	<u>728</u>	<u>183,775</u>
Subscription-based information technology arrangements	—	6,723	—	6,723
Right-to-use asset subtotal	<u>122,389</u>	<u>68,837</u>	<u>728</u>	<u>190,498</u>
Total business-type activities right-to-use assets, net	<u>\$ 279,921</u>	<u>\$ (32,438)</u>	<u>\$ 255</u>	<u>\$ 247,228</u>

NOTE 4 - CAPITAL ASSETS (continued)

Construction in progress included in governmental activities capital assets at June 30, 2023 includes project information as follows:

	Project Authorization	Amounts Expended at June 30, 2023	Authorization Available
General Construction in Progress:			
Capitol Complex	\$ 341,711	\$ 127,001	\$ 214,710
Department of Corrections Institutions	118,837	64,174	54,663
Educational Institutions	793,021	293,161	499,860
Environmental Protection	48,907	13,782	35,125
State Parks and Forests	247,647	86,672	160,975
Veterans Homes and Military Armories	183,650	42,618	141,032
Department of Human Services Institutions	153,877	72,209	81,668
Transportation Facilities	308,340	147,588	160,752
Historical and Museum Commission Facilities	12,790	9,156	3,634
State Police Facilities	44,568	13,098	31,470
Agriculture Facilities	27,066	1,195	25,871
Department of Labor and Industry	82	47	35
Other	171,075	10,084	160,991
Total general Construction in Progress	<u>2,451,571</u>	<u>880,785</u>	<u>1,570,786</u>
Highway and Bridge Construction in Progress:	<u>14,318,871</u>	<u>5,374,501</u>	<u>8,944,370</u>
Total Construction in Progress	<u>\$ 16,770,442</u>	<u>\$ 6,255,286</u>	<u>\$ 10,515,156</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, 2023 the remaining amount of governmental activities capital assets related to the initial June 30, 1986 valuation amounted to \$1,432,520. 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 \$185,151/\$(185,132) for governmental activities/business-type activities differ by \$19 because the **State Workers' Insurance Fund**, an enterprise fund, reports for its fiscal year ended December 31, 2022.

Fund Financial Statements

Interfund Balances

The composition of governmental and proprietary funds interfund balances reported at June 30, 2023 is as follows, with major fund titles in bold. Aggregate nonmajor governmental funds receivables from other funds and from component units, respectively, amount to \$190,710 and \$21,224; aggregate nonmajor enterprise funds receivables from other funds amount to \$10,807; aggregate internal service funds receivables from other funds and from component units, respectively, amount to \$42,257 and \$74:

Fund Type/Fund <u>Primary Government</u>	Due From		Due To	
	Other Funds	Component Units	Other Funds	Component Units
General Fund	\$ 183,150	\$ 59,931	\$ 376,744	\$ 7,692
<u>Special Revenue:</u>				
Motor License Fund	13,400	164	74,344	553
Banking Fund	3	—	140	—
Milk Marketing Fund	—	—	17	—
Workmen's Compensation Administration Fund	48	—	489	—
Workers' Compensation Security Fund	—	—	61	—
Tobacco Settlement Fund	1	—	17,318	—
Public Transportation Trust Fund	113,469	—	8,186	—
Gaming Fund	4,427	21,084	189,532	—
Environmental Stewardship Fund	—	—	2,663	4,173
Marcellus Shale Fund	1	—	8	—
Multimodal Transportation Fund	8,159	—	81,354	—
Underground Storage Tank Indemnification Fund	—	—	1,081	—
Other Funds	29,991	—	39,399	191
Special Revenue subtotal	169,499	21,248	414,592	4,917
<u>Debt Service:</u>				
PA Infrastructure Investment Authority Redemption Fund	—	140	—	—
Debt Service subtotal	—	140	—	—
<u>Capital Projects:</u>				
Capital Facilities Fund	319	—	4,787	—
Keystone Recreation, Park and Conservation Fund	21,832	—	4,186	—
Public Transportation Assistance Fund	12,460	—	1	—
Capital Projects subtotal	34,611	—	8,974	—
<u>Enterprise:</u>				
Unemployment Compensation Fund	2,025	—	1,548	—
State Lottery Fund	495	—	664	—
State Stores Fund	29	—	79,746	20
Commonwealth Financing Authority	250,929	—	715	—
Rehabilitation Center Fund	5,996	—	245	—
Philadelphia Regional Port Authority	4,787	—	71	—
Other Funds	24	—	71	—
Enterprise subtotal	264,285	—	83,060	20

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	\$ 34,091	\$ 73	\$ 4,660	\$ 3
Manufacturing Fund	8,166	1	543	—
Internal Service subtotal	42,257	74	5,203	3
<u>Fiduciary - Pension Trust:</u>				
State Employees' Retirement System	2,914	15,313	—	—
Public School Employees' Retirement System	17,429	—	3,612	—
Public School Employees' Retirement System - DC	—	—	575	—
Fiduciary - Pension Trust subtotal	20,343	15,313	4,187	—
Total primary government	\$ 714,145	\$ 96,706	\$ 892,760	\$ 12,632

Discretely Presented Component Units	Due From		Due To	
	Primary Government	Component Units	Primary Government	Component Units
Pennsylvania Turnpike Commission	\$ 12,483	\$ —	\$ 5,102	\$ —
Pennsylvania Housing Finance Agency	—	620	45	188
Pennsylvania Higher Education Assistance Agency	5,002	—	1,522	—
Pennsylvania Infrastructure Investment Authority	4,173	188	59,241	620
State System of Higher Education	2,884	—	28	—
Pennsylvania Industrial Development Authority	—	—	2	—
Pennsylvania Convention Center Authority	—	—	21,084	—
Other component units	—	—	15	—
Total component units	\$ 24,542	\$ 808	\$ 87,039	\$ 808

The amount of total reported interfund receivables of \$836,201 does not agree with total reported interfund payables of \$993,239 at June 30, 2023 due to different fiscal year ends and reporting differences for certain funds included in the fund financial statements at June 30, 2023. The amount reported for the Pennsylvania Turnpike Commission, a discretely presented component unit, is reported at its fiscal year ended May 31, 2023; 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, 2022. The following presents a reconciliation of interfund balances reported at June 30, 2023 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	\$ 385,770	\$ 301,313	\$ 18,718	\$ —	\$ 705,801
Due from pension trust funds	1,489	5,229	1,625	—	8,343
Due from component units	81,320	74	15,313	808	97,515
Due from primary government	—	—	—	24,542	24,542
Total	<u>\$ 468,579</u>	<u>\$ 306,616</u>	<u>\$ 35,656</u>	<u>\$ 25,350</u>	<u>\$ 836,201</u>

Reported Interfund Receivables \$ 836,201

State Employees' Retirement System increase in receivables from January 1, 2023 through June 30, 2023	44,938
Pennsylvania Health Exchange Insurance Authority increase in receivables from January 1, 2023 through June 30, 2023	574
Deferred Compensation Fund increase in receivables from January 1, 2023 through June 30, 2023	1,678
Pennsylvania Turnpike Commission decrease in receivables from June 1, 2023 through June 30, 2023	(12,483)
State Workers' Insurance Fund increase in receivables from January 1, 2023 through June 30, 2023	87
Interfund receivables reported as taxes receivable and accounts receivable by fiduciary funds	75,668
Payroll accrual at June 30, 2023 - receivables attributable to State Employees' Retirement System	51,118

Reconciled Interfund Receivables \$ 997,781

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Component Units	Total
Due to other funds	\$ 602,876	\$ 83,923	\$ 205	\$ —	\$ 687,004
Due to pension trust funds	197,434	4,340	3,982	—	205,756
Due to component units	12,609	23	—	808	13,440
Due to primary government	—	—	—	87,039	87,039
Total	<u>\$ 812,919</u>	<u>\$ 88,286</u>	<u>\$ 4,187</u>	<u>\$ 87,847</u>	<u>\$ 993,239</u>

Reported Interfund Payables \$ 993,239

State Employees' Retirement System increase in payables from January 1, 2023 through June 30, 2023	2,243
Pennsylvania Health Exchange Insurance Authority increase in payables from January 1, 2023 through June 30, 2023	588
Deferred Compensation Fund increase in payables from January 1, 2023 through June 30, 2023	139
Pennsylvania Turnpike Commission decrease in payables from June 1, 2023 through June 30, 2023	(4,937)
State Workers' Insurance Fund increase in payables from January 1, 2023 through June 30, 2023	374
Interfund payables reported as accounts payable by fiduciary funds	6,135

Reconciled Interfund Payables \$ 997,781

Advances - Fund Financial Statements

At June 30, 2023, 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 \$2,607 at its fiscal year ended December 31, 2022.

Other Advances reported as of June 30, 2023 included:

- The Workmen's Compensation Administration Fund to the Uninsured Employers Guaranty Fund (both special revenue funds) in the amount of \$16,500;
- The Pennsylvania Infrastructure Bank Fund, an enterprise fund, to the **Motor License Fund** in the amount of \$2,539, 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, 2023 is as follows, with major fund titles in bold. Aggregate nonmajor governmental fund transfers from other funds amounted to \$1,729,071 during the fiscal year ended June 30, 2023; aggregate nonmajor governmental fund transfers to other funds amounted to \$1,086,821. Aggregate nonmajor proprietary fund transfers from other funds amounted to \$21,862.

Primary Government	Transfers In	Transfers Out
General Fund	\$ 505,688	\$ 1,615,568
<u>Special Revenue:</u>		
Motor License Fund	25,910	164,785
Workmen's Compensation Administration Fund	2,802	—
Tobacco Settlement Fund	115,338	—
Public Transportation Trust Fund	120,383	—
Gaming Fund	—	742,054
Environmental Stewardship Fund	22,681	26,021
Vocational Rehabilitation Fund	47,942	—
Agricultural Conservation Easement Purchase Fund	13,257	—
State Farm Products Show Fund	5,000	—
Recycling Fund	1,000	200
Oil and Gas Lease Fund	—	56,119
Hazardous Sites Cleanup Fund	8,932	4,000
Marcellus Shale Fund	3,750	89,528
Uninsured Employers Guaranty Fund	249	—
State Racing Fund	12,146	—
Fish and Boat Fund	12,981	819
Multimodal Transportation Fund	—	81,366
Other Funds	1,161	1,282
Special Revenue subtotal	<u>393,532</u>	<u>1,166,174</u>
<u>Debt Service:</u>		
Capital Debt Fund	1,293,332	—
Growing Greener Bond Sinking Fund	12,317	—
Water and Sewer Assistance Bond Sinking Fund	3,227	—
Water Supply and Wastewater Treatment Sinking Fund	2,682	—
Debt Service subtotal	<u>1,311,558</u>	<u>—</u>
<u>Capital Projects:</u>		
Capital Facilities Fund	49,891	44,651
Keystone Recreation, Park and Conservation Fund	—	16,305
Public Transportation Assistance Fund	—	24,476
Capital Projects subtotal	<u>49,891</u>	<u>85,432</u>
<u>Enterprise:</u>		
Unemployment Compensation Fund	—	1,600
State Lottery Fund	89,300	255,907
State Stores Fund	—	190,315
Commonwealth Financing Authority	943,165	—
Historical Preservation Fund	1	—
Philadelphia Regional Port Authority	21,861	—
Enterprise subtotal	<u>1,054,327</u>	<u>447,822</u>
Total transfers, fund financial statements	3,314,996	3,314,996
Less: net elimination of governmental fund transfers	(3,921,501)	(3,921,501)
Total transfers, Statement of Activities	<u>\$ (606,505)</u>	<u>\$ (606,505)</u>

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, 2023 (May 31, 2023 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)	\$	807,262
Pennsylvania Higher Education Assistance Agency (grants)		462,936
Pennsylvania Turnpike Commission (capital contributions)		160,310
Pennsylvania Housing Finance Agency (program income and fees)		45,830
Pennsylvania Infrastructure Investment Authority (grants)		35,378

Nonmajor Discretely Presented Component Units

During the fiscal year ended June 30, 2023, the Commonwealth provided financial support to nonmajor component units by appropriations, as follows:

Ben Franklin Technology Development Authority	\$	17,000
Thaddeus Stevens College of Technology		19,449
Port of Pittsburgh Commission		500

Financial Support Provided to the Commonwealth

During its fiscal year ended May 31, 2023, the Pennsylvania Turnpike Commission provided \$50,000 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.

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

Governmental Activities

Long-term obligations of the Commonwealth’s governmental activities at June 30, 2023 and changes therein during the fiscal year ended June 30, 2023 are as follows:

	Issue Dates	Interest Rates	Maturity Dates Through	Bonds Authorized But Unissued	Balance July 1, 2022 (Restated)	Additions	Reductions	Balance June 30, 2023
GENERAL LONG-TERM OBLIGATIONS								
General Obligation Bonds Payable From								
Tax Revenues:								
Capital Facilities	2010-22	2.00-5.45%	2042	\$ 174,412,640	\$ 6,017,589	\$ 1,000,000	\$ 333,249	\$ 6,684,340
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	2013-20	2.00-5.00%	2040	16,000	82,890	—	5,975	76,915
Local Criminal Justice	—	—	—	3,000	—	—	—	—
Water Supply and Wastewater Treatment	2014-16	3.00-5.00%	2036	—	23,715	—	1,680	22,035
Growing Greener	2010-18	3.00-5.45%	2039	—	106,696	—	7,541	99,155
Persian Gulf Conflict Veterans Compensation	—	—	—	13,000	—	—	—	—
Refunding Bonds	2012-21	0.40-5.00%	2031	—	3,871,955	—	517,830	3,354,125
Total principal				<u>174,660,348</u>	<u>10,102,845</u>	<u>1,000,000</u>	<u>866,275</u>	<u>10,236,570</u>
Unamortized premium on bonds issued				—	571,092	99,652	142,295	528,449
Unamortized discount on bonds issued				—	(6,191)	(1,250)	(512)	(6,929)
Total general obligation bonds payable				<u>\$ 174,660,348</u>	<u>\$ 10,667,746</u>	<u>\$ 1,098,402</u>	<u>\$ 1,008,058</u>	<u>\$ 10,758,090</u>
Other General Long-Term Obligations								
Payable From Tax and Other Revenues:								
Installment Purchase Liabilities ⁽¹⁾					2,770	10,735	5,878	7,627
Right-to-use Liabilities ⁽¹⁾⁽²⁾					1,245,987	161,170	228,186	1,178,971
Self-Insurance---Note 8 ⁽¹⁾					1,012,571	107,519	137,132	982,958
Compensated Absences ⁽¹⁾					916,015	8,965,764	8,999,464	882,315
Other ⁽¹⁾					2,634,263	536,004	598,357	2,571,910
Subtotal					<u>5,811,606</u>	<u>9,781,192</u>	<u>9,969,017</u>	<u>5,623,781</u>
TOTAL GENERAL LONG-TERM OBLIGATIONS					<u>\$ 16,479,352</u>	<u>\$ 10,879,594</u>	<u>\$ 10,977,075</u>	<u>\$ 16,381,871</u>

Totals may not foot due to rounding.

(1) The reported current liability portion of: Installment Purchase Obligations is \$2,236; Right-to-use Liabilities is \$159,559; Self-Insurance is \$113,117; Compensated Absences is \$172,267; and Other liabilities is \$576,843.

(2) The beginning balance of Right-to-use Liabilities was adjusted due to the implementation of GASB Statement No. 96.

Total principal "Additions" above, amounting to \$1,000,000, are equal to bonds issued reported in the governmental funds statement of revenues, expenditures, and changes in fund balances for the fiscal year ended June 30, 2023.

The total "Additions" of \$1,098,402 for general obligation bonds payable at June 30, 2023 consists of total bond proceeds of \$1,000,000 for governmental funds (including a premium of \$99,652 less a discount of \$1,250).

The total "Reductions" of \$1,008,058 for general obligation bonds payable at June 30, 2023 consists of total principal repayments of \$866,275 plus \$142,295 of bond premium and \$512 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, 2023 is \$528,449 and \$6,929, 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**, and the Gaming Fund transferred amounts to debt service funds for general obligation bond principal and interest payments. During the fiscal year ended June 30, 2023, these funds transferred \$1,126,091, \$129,241, and \$38,000, respectively, to the Capital Debt Fund. The Capital Debt Fund reported \$1,298,549 (98%) of total Debt Service funds principal and interest expenditures of \$1,322,821. 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, 2023:

Workers' compensation security trust claims	\$ 260,740
Catastrophic loss benefits claims	69,649
Medical Care Availability & Reduction of Error claims - Note 11	1,129,256
Underground Storage Tank Indemnification claims - Note 11	258,432
Public Utility Realty Tax Act (PURTA) liability	28,680
Litigation liability - Note 14	14,577
State Insurance Fund claims	7,217
Restricted receipts liability	2,624
Escheated property liability	425,448
Pollution remediation liability	187,432
Asset retirement obligation	187,855
Total	<u><u>\$ 2,571,910</u></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, 2023 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, 2023, the Commonwealth recognized recovery receivables of \$13,067 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, 2023. 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, 2023. 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 \$75,411,556 as of August 31, 2023, with net debt outstanding after credit for refunded debt of \$9,183,104.

The following table presents annual principal and interest payments for long-term debt outstanding at June 30, 2023:

GENERAL LONG-TERM OBLIGATIONS

<u>For the fiscal year ending June 30,</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029-33</u>	<u>2034-38</u>
Capital Facilities	\$ 646,613	\$ 644,344	\$ 615,629	\$ 657,921	\$ 639,563	\$ 3,209,951	\$ 1,957,020
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	4,309	4,309	4,310	10,758	4,119	57,045	13,376
Local Criminal Justice	—	—	—	—	—	—	—
Water Supply and Wastewater Treatment	2,677	2,679	1,126	1,126	2,845	13,065	5,105
Growing Greener	10,538	10,586	10,643	13,629	11,255	51,508	18,221
Persian Gulf Conflict Veterans Compensation	—	—	—	—	—	—	—
Refunding Bonds	699,573	630,527	658,732	543,500	463,989	845,307	—
Total Principal and Interest	1,363,710	1,292,445	1,290,440	1,226,934	1,121,771	4,176,876	1,993,722
Less: Interest Payments	(435,530)	(390,593)	(344,545)	(300,138)	(257,705)	(787,882)	(247,149)
Total General Obligation Bonds	928,180	901,852	945,895	926,796	864,066	3,388,994	1,746,573
Other General Long-Term Obligations	1,027,798	516,616	492,067	458,251	412,345	1,656,929	772,622
TOTAL GENERAL LONG-TERM OBLIGATIONS...	\$ 1,955,978	\$ 1,418,468	\$ 1,437,962	\$ 1,385,047	\$ 1,276,411	\$ 5,045,923	\$ 2,519,195

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

GENERAL LONG-TERM OBLIGATIONS

For the fiscal year ending June 30,	2039-43	2044-48	Thereafter	Total
Capital Facilities	\$ 568,758	\$ —	\$ —	\$ 8,939,799
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	2,960	—	—	101,186
Local Criminal Justice	—	—	—	—
Water Supply and Wastewater Treatment	—	—	—	28,623
Growing Greener	2,090	—	—	128,470
Persian Gulf Conflict Veterans Compensation	—	—	—	—
Refunding Bonds	—	—	—	3,841,628
Total Principal and Interest	573,808	—	—	13,039,706
Less: Interest Payments	(39,594)	—	—	(2,803,136)
Total General Obligation Bonds	534,214	—	—	10,236,570
Other General Long-Term Obligations	274,432	12,704	17	5,623,781
TOTAL GENERAL LONG-TERM OBLIGATIONS ...	\$ 808,646	\$ 12,704	\$ 17	\$15,860,351

Right-to-use Liabilities

The Commonwealth routinely leases various facilities and equipment, and enters into subscription-based information technology arrangements for software, 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, 2023, the Commonwealth recognized expense for lease variable payments related to index changes and payments based on performance of \$5,312 and termination penalties of \$202. There were no residual guarantee or termination payments expensed for the fiscal year ended June 30, 2023. The software subscription contracts, at times, include variable payments or termination penalties that are not known or certain to be exercised at the time of the subscription liability valuation. These are recognized as expenses in the period that they occur. For the fiscal year ended, June 30, 2023, the Commonwealth recognized expense for subscription variable payments related to index changes and payments based on performance of \$200. There were no termination payments expensed for the fiscal year ended June 30, 2023. The following is a schedule by fiscal year of future minimum payments due for leases, installment purchases, and subscription-based information technology arrangements, together with the present value of the net minimum lease and software subscription payments, as of June 30, 2023:

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

Fiscal Year Ending June 30,	Right-to-use Liabilities					
	Installment Purchase Liabilities		Lease Liabilities		Subscription-based Information Technology Arrangements	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 2,236	\$ 302	\$ 129,548	\$ 24,317	\$ 29,993	\$ 793
2025	1,948	209	118,701	21,423	13,596	385
2026	1,806	134	103,747	18,832	4,825	219
2027	1,569	63	92,650	16,595	3,953	139
2028	68	1	85,347	14,565	2,636	78
2029-33	—	—	289,955	48,775	3,081	92
2034-38	—	—	151,619	21,730	—	—
2039-43	—	—	136,599	7,277	—	—
2044-48	—	—	12,704	53	—	—
Thereafter	—	—	17	—	—	—
Total Right-to-use and Installment Purchase Liabilities	\$ 7,627	\$ 709	\$ 1,120,887	\$ 173,567	\$ 58,084	\$ 1,706

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, 2023, \$109,935 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, 2023, the Commonwealth made annual installment payments for the principal and interest totaling \$4,335 and \$8,918, respectively. The other financing obligation at June 30, 2023 consists of \$184,970 in principal and \$8,935 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, 2023, the Commonwealth made annual installment payments for the principal and interest totaling \$8,935 and \$1,909, respectively. As of June 30, 2023, total principal remaining on the certificates of participation is \$31,575.

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

The tables for the balances and changes in the certificates of participation balances as of June 30, 2023 and the annual principal and interest payments are as follows:

	Date	Interest Rates	Maturity Dates Through	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
CERTIFICATES OF PARTICIPATION							
Certificates of Participation Payable From Appropriation:							
Series A of 2018	2018	3.63-5.85	2046	\$ 189,305	\$ —	\$ 4,335	\$ 184,970
2010 - Multiple Series	2010	1.15-7.11	2027	40,510	—	8,935	31,575
Total principal				229,815	—	13,270	216,545
Unamortized premium on certificates issued				10,034	—	1,099	8,935
Total certificates of participation payable				\$ 239,849	\$ —	\$ 14,369	\$ 225,480

CERTIFICATES PAYABLE FROM APPROPRIATION

For the fiscal year ending June 30,	2024	2025	2026	2027	2028	2029-33	2034-38
Certificates of Participation (Principal and Interest)	\$ 24,631	\$ 21,731	\$ 20,841	\$ 20,629	\$ 13,255	\$ 66,277	\$ 66,280
Less: Interest payments	(10,161)	(9,466)	(8,746)	(8,259)	(7,720)	(34,252)	(26,305)
Total Certificates of Participation	\$ 14,470	\$ 12,265	\$ 12,095	\$ 12,370	\$ 5,535	\$ 32,025	\$ 39,975

For the fiscal year ending June 30,	2039-43	2044-46	Total
Certificates of Participation (Principal and Interest)	\$ 66,285	\$ 39,766	\$ 339,695
Less: Interest payments	(15,260)	(2,981)	(123,150)
Total Certificates of Participation	\$ 51,025	\$ 36,785	\$ 216,545

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, 2023, total principal remaining on the debt service is \$195,465.

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, 2023 consists of \$55,510 in principal and \$5,339 in unamortized premium.

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

Total debt service requirements for the bonds at June 30, 2023 are as follows:

Fiscal Year Ending June 30,	Total Other Financing Obligations
2024	\$ 21,990
2025	21,982
2026	21,977
2027	21,971
2028	28,533
2029-33	136,795
2034-38	129,609
Thereafter	25,227
Total principal and interest	408,084
Less: interest	(157,109)
Total Principal	\$ 250,975

Total bond principal and interest payments made during the fiscal year ended June 30, 2023 for the PCCA bonds and voting bonds amounted to \$6,235 and \$13,078, and \$6,800 and \$2,464, 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 \$251 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 \$225,000; a total of \$56,375 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 \$27,574; 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 \$343,458 at June 30, 2023. 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, 2023.

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**.

Business-Type Activities

Tuition Benefits Payable

The reported liability for tuition benefits payable of \$1,697,636 of the **Tuition Payment Fund**, an enterprise fund, at June 30, 2023 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, 2022	Additions	Reductions	Balance at June 30, 2023	Current Due within One Year	Noncurrent Due after One Year
\$ 1,664,592	\$ 290,724	\$ 257,680	\$ 1,697,636	\$ 314,134	\$ 1,383,502

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

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, 2022 and December 31, 2021. 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, 2022 and 2021, 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	
2022	\$ 1,122,381	\$ 108,414	\$ 128,909	\$ 35,178	\$ 105,688	\$ 1,218,838
2021	\$ 1,207,740	\$ 103,317	\$ (63,520)	\$ 25,192	\$ 99,964	\$ 1,122,381

The current portion of the total **SWIF** insurance loss liability is \$124,936 and the noncurrent portion is \$1,093,902. Additionally, nonmajor enterprise funds reported a noncurrent insurance loss liability of \$397 at June 30, 2023. Total reported current insurance loss liability amounts to \$124,936 and total noncurrent insurance loss liability amounts to \$1,094,299 at June 30, 2023.

Compensated Absences Liability

The reported compensated absences liability for the enterprise funds totaled \$42,720 at June 30, 2023. Of that amount, the liability is primarily owed by the **State Stores Fund** (\$34,041), the **SWIF** (\$2,274), and the **State Lottery Fund** (\$3,606). The following summary provides aggregated information reported for June 30, 2023 compensated absences liabilities; additions and reductions during the fiscal year ended June 30, 2023 and reported compensated absences liabilities at June 30, 2023:

Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
\$ 46,162	\$ 508,402	\$ 511,844	\$ 42,720

The current portion of the total compensated absences liability for enterprise funds is \$8,086; the noncurrent portion is \$34,634.

Right-to-use Liabilities

Certain enterprise funds (including the Philadelphia Regional Port Authority, blended component unit) routinely lease various facilities and equipment, and enters into subscription-based information technology arrangements for software, instead of purchasing the assets. 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, 2023, enterprise funds recognized expense for lease variable payments related to index changes and payments based on performance of \$68. The software subscription contracts, at times, include variable payments or termination penalties that are not known or certain to be exercised at the time of the subscription liability valuation. These are recognized as expenses in the period that they occur. There were no variable payments or termination payments expensed for the fiscal year ended June 30, 2023. The following is a schedule by fiscal year future minimum payments due for leases and subscription-based information technology arrangements, together with the present value of the net minimum lease and software subscription payments as of June 30, 2023:

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

Fiscal Year Ending June 30,	Right-to-use Liabilities			
	Lease Liabilities		Subscription-based Information Technology Arrangements	
	Principal	Interest	Principal	Interest
2024	\$ 58,433	\$ 4,184	\$ 5,471	\$ 135
2025	52,282	3,120	4,640	35
2026	42,847	2,197	—	—
2027	32,176	1,461	—	—
2028	24,349	894	—	—
2029-34	34,559	1,016	—	—
Total Right-to-use Liabilities	\$ 244,646	\$ 12,872	\$ 10,111	\$ 170

The following summary provides aggregated information reported for June 30, 2023 lease liabilities and subscription-based information technology arrangement liabilities; additions and reductions during the fiscal year ended June 30, 2023 and reported lease liabilities and subscription-based information technology arrangement liabilities at June 30, 2023:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
Right-to-use liabilities	\$ 284,657	\$ 38,573	\$ 68,473	\$ 254,757

Federal Unemployment Account Loan

During fiscal year ended June 30, 2023, advances were made to the Commonwealth's **Unemployment Compensation Fund** from the Federal Unemployment Account (FUA) in the amount of \$34,245. 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, when state has an outstanding loan balance on January 1 for two consecutive years, the full amount of the loan must be repaid by November 10 of the second year, 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, 2023. Accrued interest payable was recorded in the amount of \$38 as of June 30, 2023.

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
	\$ —	\$ 34,245	\$ 34,245	\$ —

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, 2023, and changes during the fiscal year ended June 30, 2023 are as follows:

	Issue Dates	Interest Rates	Maturity Dates Through	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2023
REVENUE BONDS PAYABLE							
Commonwealth Financing Authority	2005-20	0.55-6.40%	2042	\$ 4,356,860	\$ —	\$ 143,900	\$ 4,212,960
Total principal obligations				4,356,860	—	143,900	4,212,960
Less: unamortized bond discount				(2,794)	—	(179)	(2,615)
Add: unamortized bond premium				126,294	—	9,532	116,762
TOTAL REVENUE BONDS PAYABLE				<u>\$ 4,480,360</u>	<u>\$ —</u>	<u>\$ 153,253</u>	<u>\$ 4,327,107</u>

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,	2024	2025	2026	2027	2028	2029-33	2034-38
Commonwealth Financing Authority							
Principal and Interest	\$ 332,273	\$ 332,009	\$ 316,544	\$ 311,787	\$ 310,224	\$ 1,751,803	\$ 1,835,674
Less: Interest Payments	(182,378)	(174,994)	(167,184)	(159,702)	(152,484)	(634,978)	(345,134)
TOTAL PRINCIPAL OBLIGATIONS	<u>\$ 149,895</u>	<u>\$ 157,015</u>	<u>\$ 149,360</u>	<u>\$ 152,085</u>	<u>\$ 157,740</u>	<u>\$ 1,116,825</u>	<u>\$ 1,490,540</u>
For the fiscal year ending June 30,	2039-43	Total					
Commonwealth Financing Authority							
Principal and Interest	\$ 903,673	\$ 6,093,987					
Less: Interest Payments	(64,173)	(1,881,027)					
TOTAL PRINCIPAL OBLIGATIONS	<u>\$ 839,500</u>	<u>\$ 4,212,960</u>					

NOTE 7 - 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 (STIP) 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 came first. The Investment Agreement was 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.

	Balance				Balance	
	July 1, 2022		Additions	Reductions	June 30, 2023	
STIP	\$	—	\$ 300,000	\$ 300,000	\$	—

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, 2023. 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, 2023. No settlements exceeded commercial insurance coverage during any of the past three fiscal years.

At June 30, 2023, none of the \$982,958 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** (\$807,325) and the **Motor License Fund** (\$146,193). Business-type activities liabilities are primarily owed by the **State Lottery Fund** (\$1,607), the **State Workers’ Insurance Fund** (\$678), and the **State Stores Fund** (\$49,604), all enterprise funds. All accrued self-insurance liabilities at June 30, 2023 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	\$ 86,612	\$ 781,958	\$ 5,301	\$ 47,851
Automobile tort	2,371	3,290	—	—
Employee tort	17,010	65,031	—	—
General tort	843	2,775	—	—
Transportation	6,281	16,787	—	—
Totals	<u>\$ 113,117</u>	<u>\$ 869,841</u>	<u>\$ 5,301</u>	<u>\$ 47,851</u>

NOTE 8 - SELF-INSURANCE LIABILITIES (continued)

The following summary provides aggregated information on June 30, 2022 reported self-insurance liabilities; incurred claims and payments during the fiscal year ended June 30, 2023 and reported self-insurance liabilities at June 30, 2023:

	June 30, 2022	Incurred Claims		Payments		June 30, 2023
	Liability	Current	Prior	Current	Prior	Liability
Employee disability	\$ 926,897	\$ 75,874	\$ 21,054	\$ 9,304	\$ 92,799	\$ 921,722
Automobile tort	9,549	2,953	(3,543)	583	2,715	5,661
Employee tort	69,323	17,052	22,309	41	26,602	82,041
General tort	8,462	961	(4,503)	118	1,184	3,618
Transportation	50,822	7,276	(26,326)	995	7,709	23,068
Totals	<u>\$ 1,065,053</u>	<u>\$ 104,116</u>	<u>\$ 8,991</u>	<u>\$ 11,041</u>	<u>\$ 131,009</u>	<u>\$ 1,036,110</u>

The following summary provides aggregated information on June 30, 2021 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>

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	\$ 19,400,012	\$ 265,063	\$ 19,665,075
Deferred outflows of resources	\$ 5,795,028	\$ 39,636	\$ 5,834,664
Deferred inflows of resources	\$ 433,439	\$ 12,055	\$ 445,494
Net Pension expense	\$ 2,623,384	\$ 17,669	\$ 2,641,053

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, 2022 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. Most employees who entered SERS membership prior to January 1, 2011, and 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 \$1,986,331 for the year ended June 30, 2023.

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, 2023, the Commonwealth reported a total net pension liability of \$19,400,012 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, 2022, 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, 2022 the Commonwealth’s reported proportionate share of the SERS net pension liability was 92.32%, which was a decrease of 4.52% from its proportion measured as of December 31, 2021. Liabilities are funded through the payroll complement rates within each fund. The **General Fund** and **Motor License Fund** funded 83.53% and 11.67%, respectively, of the Commonwealth’s governmental activities pension contributions for the calendar year ended December 31, 2022.

As of June 30, 2023, the Commonwealth recognized a defined benefit pension expense of \$2,623,384, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS (December 31, 2022)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 281,931	\$ 53,841
Differences between employer contributions and proportionate share	31,348	35,422
Net difference between projected and actual earnings on plan investments	2,635,119	—
Changes of assumptions	1,308,434	—
Changes in proportion	573,494	344,176
Contributions subsequent to measurement date	964,702	—
Total	\$ 5,795,028	\$ 433,439

The \$964,702 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>SERS (December 31, 2022)</u>
2023	\$ 647,344
2024	\$ 1,115,181
2025	\$ 1,071,967
2026	\$ 1,543,638
2027	\$ 18,757

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, reducing rates of career salary growth, more favorable annuitant mortality assumptions, and several other changes. The assumptions from this study were effective with the December 31, 2020 valuation going forward unless changed by the SERS board. 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. In June 2022, the SERS Board approved a reduction in the Defined Benefit Plan investment rate of return to 6.875% for 2022 from 7.0% for 2021.

The following methods and assumptions were used in the actuarial valuation for the December 31, 2022 measurement date.

Actuarial Cost Method	Entry age
Investment rate of return	6.875% net of expenses including inflation
Projected salary increases	Average of 4.55% 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 real 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 geometric real rates of return for each major asset class included in the Defined Benefit Plan's target asset allocation as of December 31, 2022, are summarized in the following table:

SERS (December 31, 2022)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Private equity	16.00 %	5.75 %
Real estate	7.00 %	5.12 %
U.S. equity	31.00 %	4.35 %
International developed markets equity	14.00 %	4.25 %
Emerging markets equity	5.00 %	4.65 %
Fixed income	22.00 %	(0.50)%
Inflation protection (TIPS)	3.00 %	(1.00)%
Cash	2.00 %	(1.05)%
Total	100.00 %	

Discount rate: The discount rate used to measure the total pension liability was 6.875% for 2022 from 7.0% for 2021. 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 investment 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 (6.875%), 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 (5.875%) or 1 percentage point higher (7.875%) than the current rate:

NOTE 9 - PENSION (continued)

	1% Decrease (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)
SERS (December 31, 2022)	\$ 24,867,890	\$ 19,400,012	\$ 14,782,015

Payables to the Pension Plan: For the fiscal year ended June 30, 2023, the Commonwealth reported an accounts payable for the employer’s share of retirement contributions to the SERS in the amount of \$51,199.

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 \$14,674 for the year ended June 30, 2023.

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, 2023 there were 771 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. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

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 \$31,565 for the year ended June 30, 2023.

NOTE 9 - PENSION (continued)

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.

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, 2023, the Commonwealth reported a liability of \$265,063 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by 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, 2022 the Commonwealth's proportion was .5962%, which was a decrease of .0054% from its proportion measured as of June 30, 2021.

As a result of its requirement to contribute to the PSERS, the Commonwealth recognized expense of \$17,669 for the year ended June 30, 2023. At June 30, 2023 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, 2023)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience.....	\$ 120	\$ 2,293
Differences between employer contributions and proportionate share	—	29
Net difference between projected and actual earnings on plan investments	—	4,497
Changes of assumptions.....	7,915	—
Changes in proportion.....	36	5,236
Contributions subsequent to measurement date.....	31,565	—
Total	\$ 39,636	\$ 12,055

NOTE 9 - PENSION (continued)**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.

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, 2023.

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 its 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 its 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 its 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, 2022, 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, 2023, the REHP and the RPSPP OPEB plan membership consisted of the following (actual number of plan members):

	Census date:	
	December 31, 2022	
	REHP	RPSPP
Inactive plan members or beneficiaries currently receiving benefit payments	64,461	5,472
Inactive plan members entitled to but not yet receiving benefit payments	21,193	—
Active plan members	63,753	4,645
Total all plan members	149,407	10,117

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, 2023, 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, 2023 participating agencies contributed \$1,500 (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, 2023, the Commonwealth funded \$411,133 (estimated) of annuitant health care claims and administrative costs for the REHP and \$171,426 (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, 2023, 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, 2023, the REHP and RPSPP recorded \$23,143 and \$9,378, respectively.

Specific Actuarial Assumptions: The total OPEB liability was determined by an actuarial valuation with a measurement date as of June 30, 2023, 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	9.0% for 2023 decreasing to an ultimate rate of 3.9% for 2075 and later years	7.1% for 2022 decreasing to an ultimate rate of 3.9% for 2075 and later years
Non-Medicare retiree	8.9% for 2023 decreasing to an ultimate rate of 3.9% for 2075 and later years	9.1% 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, 2023 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	42.00%	42.00%
International equity	22.00%	22.00%
Fixed income	22.00%	22.00%
Public RETIS	4.00%	4.00%
Infrastructure	4.00%	4.00%
CORE Real Estate	4.00%	4.00%
Cash equivalents	1.00%	1.00%
Private equity	1.00%	1.00%
Total	100.00%	100.00%

Concentration: Based on a portfolio value of \$774,828 for the REHP and \$144,473 for the RPSPP, the following investment concentrations greater than 5% existed as of June 30, 2023. 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	\$ 170,341	21.98 %	\$ 31,761	21.98 %

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Rate of Return: For the year ended June 30, 2023, the annual rate of return on investments, net of investment expense was (12.90)%. 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, 2023 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	
	REHP	RPSPP
Private equity	8.40%	8.40%
International equity	5.50%	5.50%
Domestic equity	5.10%	5.10%
Infrastructure	5.00%	5.00%
Real estate	4.80%	4.80%
CORE Fixed income	1.80%	1.80%
Cash and cash equivalents	1.00%	1.00%

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, 2023 were as follows:

	REHP	RPSPP
Total OPEB liability	\$ 8,527,705	\$ 6,283,686
Plan fiduciary net position	(751,685)	(135,095)
Plan net OPEB liability	\$ 7,776,020	\$ 6,148,591
Plan fiduciary net position as a percentage of the total OPEB liability	8.81 %	2.15 %

Discount Rate: The discount rate used to measure the total OPEB liability of the REHP was 5.65% as of June 30, 2023. 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 2023. 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 3.65% as of June 30, 2023. This single discount rate was based on the 20-year Bond Buyer GO Index municipal bond rate as of the end of June 2023. 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>4.65%</u>	<u>5.65%</u>	<u>6.65%</u>
Net OPEB Liability	\$ 8,741,044	\$ 7,776,020	\$ 6,952,792

<u>RPSPP</u>	<u>Discount Rate</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>2.65%</u>	<u>3.65%</u>	<u>4.65%</u>
Net OPEB Liability	\$ 7,273,801	\$ 6,148,591	\$ 5,259,442

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>7.9%/8.0%</u>	<u>8.9%/9.0%</u>	<u>9.9%/10.0%</u>
	<u>decreasing to 2.9%</u>	<u>decreasing to 3.9%</u>	<u>decreasing to 4.9%</u>
Net OPEB Liability	\$ 6,773,629	\$ 7,776,020	\$ 8,986,408

<u>RPSPP</u>	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>8.1%/6.1%</u>	<u>9.1%/7.1%</u>	<u>10.1%/8.1%</u>
	<u>decreasing to 2.9%</u>	<u>decreasing to 3.9%</u>	<u>decreasing to 4.9%</u>
Net OPEB Liability	\$ 5,209,009	\$ 6,148,591	\$ 7,355,413

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, 2023, the employer contribution to the Premium Assistance was 0.60% 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, 2023, the PSERS recorded \$23,093 in IBNR.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

GASB 75 Employer Reporting

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	\$ 9,184,440	\$ 6,614,205	\$ 657,770	\$ 705,568	\$ 235,218	\$ 10,964	\$17,408,165
Discretely presented component units	\$ 602,562	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 602,562
Deferred outflows of resources							
Primary government	\$ 2,307,285	\$ 1,732,907	\$ 48,638	\$ 285,952	\$ 15,513	\$ 2,292	\$ 4,392,587
Discretely presented component units	\$ 144,547	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 144,547
Deferred inflows of resources							
Primary government	\$ 5,015,179	\$ 2,063,502	\$ 181,140	\$ 380,067	\$ 141,112	\$ 2,974	\$ 7,783,974
Discretely presented component units	\$ 418,201	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 418,201
OPEB (income) expense							
Primary government	\$ (1,566,347)	\$ 234,339	\$ 15,588	\$ 45,782	\$ 13,752	\$ 343	\$ (1,256,543)
Discretely presented component units	\$ (112,693)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (112,693)

*Administered through a trust

Plans Administered Through Trusts - 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:	
	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. 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, 2022, the Commonwealth funded \$418,157 (estimated) and \$156,314 (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 80.10% and 14.91%, respectively, of the Commonwealth’s governmental activities REHP OPEB contributions for the fiscal year ended June 30, 2022. The **General Fund** and **Motor License Fund** funded 95.69% and 0.93%, respectively, of the Commonwealth’s governmental activities RPSPP OPEB contributions for the fiscal year ended June 30, 2022. 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

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, 2022, 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, 2022 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%	6.75%
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	6.3% 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-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, 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.

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 %

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Discount Rate: The discount rate used to measure the total OPEB liability was 4.67% for REHP and 3.54% for RPSPP as of June 30, 2022. The single discount rates were based on the 20-year Bond Buyer GO Index municipal bond rate as of the end of June 2021. 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, 2021	\$ 10,099,903	\$ 618,054	\$ 9,481,849	\$ 716,458	\$ 43,841	\$ 672,617
Changes for the year:						
Service cost	296,387	—	296,387	19,462	—	19,462
Interest	371,825	—	371,825	24,415	—	24,415
Changes in assumptions	(1,082,669)	—	(1,082,669)	(71,031)	—	(71,031)
Difference between expected and actual experience	415,281	—	415,281	27,245	—	27,245
Benefit payments:						
Employer paid	(384,159)	(384,159)	—	(25,123)	(25,123)	—
Contributions:						
Employer	—	441,497	(441,497)	—	22,870	(22,870)
Administrative expenses	—	(4,987)	4,987	—	(329)	329
Net investment earnings:						
Expected investment earnings	—	43,407	(43,407)	—	2,850	(2,850)
Difference between projected and actual earnings	—	(132,254)	132,254	—	(8,677)	8,677
Change in proportionate share	(90,631)	(140,061)	49,430	(65,994)	(12,562)	(53,432)
Net Change	(473,966)	(176,557)	(297,409)	(91,026)	(20,971)	(70,055)
Balance at June 30, 2022	\$ 9,625,937	\$ 441,497	\$ 9,184,440	\$ 625,432	\$ 22,870	\$ 602,562

RPSPP	PRIMARY GOVERNMENT		
	Total OPEB	Plan	Net OPEB
	Liability	Fiduciary	Liability
	(e)	Net Position	(e)-(f)
Balance at June 30, 2021	\$ 8,348,248	\$ 138,904	\$ 8,209,344
Changes for the year:			
Service cost	257,982	—	257,982
Interest	184,222	—	184,222
Changes in assumptions- discount rate	(1,808,717)	—	(1,808,717)
Difference between expected and actual experience	(90,929)	—	(90,929)
Benefit payments:			
Employer paid	(155,743)	(155,743)	—
Contributions:			
Employer	—	157,314	(157,314)
Administrative expenses	—	(726)	726
Net investment earnings:			
Expected investment earnings	—	9,404	(9,404)
Difference between projected and actual earnings	—	(28,295)	28,295
Net Change	(1,613,185)	(18,046)	(1,595,139)
Balance at June 30, 2022	\$ 6,735,063	\$ 120,858	\$ 6,614,205

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:

REHP	Discount Rate		
	1% Decrease		1% Increase
Net OPEB liability	3.67%	4.67%	5.67%
Primary Government	\$ 10,400,952	\$ 9,184,440	\$ 8,145,811
Discretely presented component units	\$ 528,840	\$ 602,562	\$ 414,177

RPSPP	Discount Rate		
	1% Decrease		1% Increase
Net OPEB liability	2.54%	3.54%	4.54%
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 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.

REHP	Healthcare Cost Trend Rates		
	1% Decrease		1% Increase
Net OPEB Liability	6.3% decreasing to 2.9%	7.3% decreasing to 3.9%	8.3% decreasing to 4.9%
Primary Government	\$ 7,934,035	\$ 9,184,440	\$ 10,718,720
Discretely presented component units	\$ 403,061	\$ 602,562	\$ 544,527

RPSPP	Healthcare Cost Trend Rates		
	1% Decrease		1% Increase
Net OPEB Liability	4.1% decreasing to 2.9%	5.1% decreasing to 3.9%	6.1% decreasing to 4.9%
Net OPEB Liability	\$ 5,596,404	\$ 6,614,205	\$ 7,922,100

OPEB Expense and Deferred Outflows and Deferred Inflows: For the year ended June 30, 2023, the primary government recognized OPEB income of \$1,566,347 and expense of \$234,339 for the REHP and the RPSPP, respectively, and the discretely presented component units recognized OPEB income of \$112,693 for the REHP.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

At June 30, 2023, 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	\$ 438,062	\$ 19,815	\$ —	\$ —
Changes in assumptions	832,443	54,615	(1,692,679)	(111,052)
Net difference between				
expected and actual plan experience	349,237	22,942	(2,740,918)	(179,824)
Net difference between				
projected and actual investment earnings	37,931	2,488	—	—
Changes in proportion	649,612	44,687	(581,582)	(127,325)
Total	\$ 2,307,285	\$ 144,547	\$ (5,015,179)	\$ (418,201)

RPSPP	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions		
subsequent to measurement date	\$ 172,427	\$ —
Changes in assumptions	1,184,738	(1,572,603)
Net difference between		
expected and actual plan experience	338,158	(459,789)
Net difference between		
projected and actual earnings on investments	6,474	—
Changes in proportion	31,110	(31,110)
Total	\$ 1,732,907	\$ (2,063,502)

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 \$457,877 and \$172,427, for REHP and RPSPP, respectively, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

REHP		
Year ended June 30:	Primary Government	Discretely Presented Component Units
2023	\$ (1,687,976)	\$ (122,872)
2024	\$ (760,199)	\$ (69,342)
2025	\$ (264,598)	\$ (39,641)
2026	\$ (348,848)	\$ (44,466)
2027	\$ (84,335)	\$ (17,148)
Thereafter	\$ —	\$ —

RPSPP	
Year ended June 30:	Primary Government
2023	\$ (87,057)
2024	\$ (17,282)
2025	\$ 52,260
2026	\$ (70,953)
2027	\$ (220,476)
Thereafter	\$ (159,514)

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, 2022	May 1, 2022
		Judiciary	House	Senate
Inactive plan members or beneficiaries currently receiving benefit payments		1,678	1,297	528
Inactive plan members entitled to but not yet receiving benefit payments		—	—	—
Active plan members		1,883	1,629	770
Total all plan members		<u>3,561</u>	<u>2,926</u>	<u>1,298</u>

Employer Contributions: During the fiscal year ended June 30, 2023, the Judiciary funded \$27,781 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, 2023, the House funded \$24,027 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, 2023, the Senate funded \$9,365 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, 2023. The valuation date and measurement date differed for each plan.

	Judiciary	House	Senate
Total OPEB liability reported June 30, 2023	\$ 657,770	\$ 705,568	\$ 235,218
Valuation date	June 30, 2022	July 1, 2022	July 1, 2022
Measurement date	June 30, 2022	July 1, 2022	June 30, 2023

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	4.13 %	4.06 %	4.00 %
Healthcare cost trend rates	7.00% to 4.10%	6.50% to 3.90%	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, 2023

House- S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2022

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, 2023.

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, 2023)	House (June 30, 2023)	Senate (June 30, 2022)
Total OPEB liability at beginning of fiscal year	\$ 662,550	\$ 884,100	\$ 240,919
Changes for the year:			
Service cost	27,014	43,925	2,068
Interest	27,588	20,862	9,449
Changes of benefit terms	—	—	—
Differences between expected and actual experience	—	100,562	—
Changes in assumptions or other inputs	(31,601)	(319,854)	(7,854)
Benefit payments	(27,781)	(24,027)	(9,364)
Net Changes	(4,780)	(178,532)	(5,701)
Total OPEB liability at end of fiscal year	\$ 657,770	\$ 705,568	\$ 235,218

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	4.13 %	\$ 746,034	\$ 657,770	\$ 584,319
House	4.06 %	\$ 822,697	\$ 705,568	\$ 611,330
Senate	4.00 %	\$ 270,565	\$ 235,218	\$ 206,852

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	7.00% to 4.10%	\$ 571,195	\$ 657,770	\$ 767,298
House	6.50% to 3.90%	\$ 600,771	\$ 705,568	\$ 839,696
Senate	8.00% to 4.50%	\$ 201,476	\$ 235,218	\$ 277,460

OPEB Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to OPEB: For the year ended June 30, 2023, the Judiciary, House and Senate recognized OPEB expense of \$15,588, \$45,782 and \$13,752, respectively. At June 30, 2023, 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	\$ 48,638	\$ 173,987	\$ 15,513	\$ 141,699	\$ 345,821	\$ 141,112
Contributions subsequent to measurement date	—	23,973	—	—	—	—
Differences between expected and actual experience	—	87,992	—	39,441	34,246	—
Total	\$ 48,638	\$ 285,952	\$ 15,513	\$ 181,140	\$ 380,067	\$ 141,112

The House's \$23,973 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Judiciary	House	Senate
Year ended June 30:			
2024	\$ (39,014)	\$ (19,005)	\$ (25,270)
2025	(45,015)	(19,005)	(25,270)
2026	(42,153)	(12,748)	(25,270)
2027	(6,320)	(2,877)	(25,270)
2028	—	(1,585)	(20,127)
Thereafter	—	(62,868)	(4,392)
Total	\$ (132,502)	\$ (118,088)	\$ (125,599)

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, 2023 was \$10,964 or 0.5956%, which was an increase of 0.0023% from its proportion measured as of June 30, 2022. 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	\$ 343
Deferred outflows of resources	
Difference between expected and actual experience	\$ 101
Changes of assumptions	\$ 1,217
Difference between projected and actual investment earnings	\$ 30
Changes in proportion	\$ 237
Contributions subsequent to measurement date	\$ 690
Difference between employee contribution and proportionate share	\$ 17
Deferred inflows of resources	
Difference between expected and actual experience	\$ 58
Changes of assumptions	\$ 2,589
Changes in proportion	\$ 327

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 0.60% 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 \$690 of contributions during the fiscal year ended June 30, 2023.

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 \$94,641 at June 30, 2023. The Commonwealth has reported \$1,129,256 at June 30, 2023 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 \$258,432 at June 30, 2023 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, 2023. The USTIF has assets of \$423,263 at June 30, 2023. 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, 2023 total employer contributions for active employees amounted to approximately \$1,055,129; active employee contributions amounted to approximately \$139,532. Neither the Commonwealth nor the unions have an equity interest in the PEBTF.

At June 30, 2023, for the active employees benefit program, the PEBTF reported total assets of \$1,000,447, total liabilities of \$1,937, total benefit obligations of \$119,610, and an excess of net assets over benefit obligations of \$878,900. During the fiscal year ended June 30, 2023 the PEBTF reported an increase in net assets over benefit obligations of \$75,592 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, 2023. 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, 2023, the Commonwealth of Pennsylvania provided tax abatements through the following programs listed in alphabetical order:

- The City Revitalization and Improvement Zone Program (CRIZ) is administered by a contracting authority with oversight by the Department of Revenue (DOR), under Article XVIII-C of Tax Reform Code of 1971 and is a hybrid tax incremental financing program with a primary focus for economic development in the zone. Each year entities located or partially located within the zone are required to file a CRIZ report, which includes the following state taxes paid during the previous calendar year: personal income tax, corporate net income, bank and trust company shares, sales, use and hotel occupancy, employer withholding, malt beverage, and liquor/wine. The total amount of state taxes certified by DOR and applicable local taxes are deposited into the CRIZ fund for use by the contracting authority. The authority may utilize the funds for the payment of debt service on bonds issued for economic development projects in the zone or to fund the debt service of additional eligible improvement projects within the zone. All eligible CRIZ projects must be geographically located within the CRIZ 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. Each CRIZ zone is effective for a period equal to the payment of all debt service incurred, including bond repayment or 30 years, whichever occurs first. There are three designations in the program located in the City of Lancaster, City of Bethlehem, and the Borough of Tamaqua. For the fiscal year ended June 30, 2023, \$12.2 million in taxes were abated and deposited into the CRIZ fund for use by the contracting authority.
- 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, 2023, \$16 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 \$65 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, 2023, \$61.10 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

NOTE 13 - TAX ABATEMENTS (continued)

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 \$340 million annually (\$275 million for SOs, \$44.5 million for EIOs, and \$20.5 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, 2023, \$299.2 million in taxes were abated.

- 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 \$100 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, 2023, \$70.6 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, 2023, \$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

NOTE 13 - TAX ABATEMENTS (continued)

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, 2023, \$113.3 million in taxes were abated.

- 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, 2023, \$16.1 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

NOTE 13 - TAX ABATEMENTS (continued)

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, 2023, \$36 million in taxes were abated.

- 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: personal income tax, 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, 2023, \$58.5 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, 2023, \$12.6 million in taxes were abated.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Construction and Other Commitments: At June 30, 2023 the Department of Transportation (DOT) had contractual commitments of approximately \$13,674,981 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 \$7,588,926 at June 30, 2023. 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	\$ 1,337,738
Motor License Fund	579,759
Capital Facilities Fund	1,956,944
Other nonmajor funds	848,656
Total	<u>\$ 4,723,097</u>

Investment Commitments: At June 30, 2023, the **Tuition Payment Fund** had capital commitments of \$195,000 to fund alternative investments, of which \$15,812 was unfunded. At June 30, 2023, the Other Postemployment Benefits funds, REHP and RPSPP, had capital commitments of \$10,000 to fund alternative investments, of which \$3,450 was unfunded.

Loan and Grant Commitments: At June 30, 2023 primary government funds had approved \$2,711 in loans that had not been disbursed. Also, at June 30, 2023 the **Commonwealth Financing Authority (CFA)**, a blended component unit, had approved loans and grants that had not been disbursed of \$1,241,253.

Right-to-use Commitments: As of June 30, 2023, the Commonwealth has leases that have not yet commenced, with lease payments due on an undiscounted basis of \$131,422 over the respective lease terms. These leases commence in 2023 and 2024 with lease terms ranging between 2023 and 2038.

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, 2023, the lease payments assigned for payment of debt service totaled \$5,721. As of June 30, 2023, the total principal remaining on the certificates of participation is \$11,085.

As of June 30, 2023, the Commonwealth has SBITAs that have not yet commenced, with subscription payments due on undiscounted basis of \$87,941 over the respective SBITA terms. These SBITAs commence in 2023 and 2024 with SBITA terms ranging between 2023 and 2033.

Child Support Payments: At June 30, 2023, the Commonwealth was contingently liable for approximately \$18,332 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, 2023 with respect to torts as described in Note 8 for probable losses, and separately, other general long-term obligations with respect to litigation cases in the amount of \$14,577 for which 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 \$23,750 to \$1,662,900 for the **General Fund**; \$0 to \$10,000 for the Philadelphia Regional Port Authority, an enterprise fund; \$0 to \$2,001 for the **State Workers' Insurance Fund**, an enterprise fund; and \$100 to \$1,069,000 of possible additional liabilities for the State Employees’ Retirement System, a

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

fiduciary fund. The range of potential liability for governmental activities is from \$23,750 to \$1,662,900. The liability for these cases has not been recorded as of June 30, 2023. Moreover, there are some legal proceedings regarding the restriction of use of certain Commonwealth's funds.

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 \$873,000 at June 30, 2023. 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. As of June 30, 2023, the SLFRF dollars awarded to the Commonwealth have been appropriated. 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, 2023, the amount of future payments owed to prizewinners was \$387,919. 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, 2023, prizewinners had voluntarily assigned future payments of \$589,532.

Pennsylvania Turnpike Commission (PTC): The PTC, a discretely presented component unit, had \$982,980 of Special Revenue Bonds outstanding at May 31, 2023. 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, 2024, total interest and principal due on the \$982,980 of special revenue bonds outstanding at May 31, 2023 will amount to \$38,638 and \$17,945, respectively. Disclosures related to the PTC's special revenue bonds payable as of May 31, 2023 are provided in Note 16 to the basic financial statements.

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

Loan Guarantees: The CFA, through various economic development programs, provided loan guarantees as of June 30, 2023 as follows:

First Industries Loan Guarantees	\$	11,586
Tax Increment Financing Guarantees		12,681
New Pennsylvania Venture Guarantees		25,347
		49,614
Total Loan Guarantees	\$	49,614

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, 2023. The guarantees related to the New Pennsylvania Venture Guarantee Program extend throughout the life of the investment portfolio.

Nonexchange Financial Guarantees: 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, 2022, \$1,212 of the Authority's bank balance of \$1,712 was exposed to custodial credit risk.

The CFA has recognized a liability for nonexchange financial guarantees at June 30, 2023 of \$10,616 and has made cumulative payments of \$20,160 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, 2022	Additions	Reductions	Balance June 30, 2023
\$ 18,051	\$ —	\$ 7,435	\$ 10,616

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, 2023 the primary government paid a service fee in the amount of \$333,283. Disclosures related to the CFA's \$4,212,960 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

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

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, 2023 the actual amount appropriated to support the SEA debt service was \$2,051.

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, 2023, governmental and business-type activities, respectively, reported net investment in capital assets of \$37,541,183 and \$898,184.

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, 2023, governmental and business-type activities, respectively, reported \$6,002,885 and \$3,037,341 of restricted net position. Net position restricted for other purposes of \$162,108 for business-type activities at June 30, 2023 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, 2023, governmental and business-type activities, respectively, reported unrestricted net position deficits of \$15,935,789 and \$3,753,674.

Governmental Funds Fund Balance: Reported fund balance within individual governmental funds is categorized between nonspendable and spendable categories. At June 30, 2023 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, 2023, 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, 2023:

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	14,161	—	—	14,161
Due from component unit	41,860	—	—	41,860
Total nonspendable	60,496	—	—	60,496
Restricted for:				
General government operations	4,233	—	121,530	125,763
Health-related programs	—	—	126,568	126,568
Transportation	520	2,325,782	2,213,738	4,540,040
Unemployment/workers' compensation	—	—	1,292,929	1,292,929
Environmental and conservation programs	12,178	—	1,298,449	1,310,627
Economic development	—	—	51,517	51,517
Gaming/horse racing regulation	—	—	1,423,625	1,423,625
Emergency support	—	—	116,268	116,268
Beneficiaries	—	—	968,624	968,624
Human services	97,695	—	—	97,695
Total restricted	114,626	2,325,782	7,613,248	10,053,656
Committed for:				
General government operations	1,123,270	—	—	1,123,270
Health-related programs	176,885	—	85,843	262,728
Transportation	—	—	46,632	46,632
Capital projects	100,322	—	570,917	671,239
Debt service	—	—	30,413	30,413
Elderly programs	63,266	—	—	63,266
Environmental and conservation programs	271,690	—	61,867	333,557
Economic development	320,592	—	—	320,592
Emergency support	7,859	—	—	7,859
Higher education	386,757	—	—	386,757
Budget stabilization	5,149,996	—	—	5,149,996
Beneficiaries	57	—	—	57
Human services	188,889	—	—	188,889
Public protection	475,466	—	—	475,466
Total committed	8,265,049	—	795,672	9,060,721
Unassigned:				
Unassigned (deficit)	9,734,193	—	(13,144)	9,721,049
Total fund balances	\$ 18,174,364	\$ 2,325,782	\$ 8,395,776	\$ 28,895,922

A portion of the nonspendable fund balance reported by the **General Fund**, \$4,475, is applicable to advances to other funds at June 30, 2023 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.

Governmental Funds Fund Balance Deficit: The Uninsured Employers' Guaranty Fund, a special revenue fund, reported a deficit of \$13,144 at June 30, 2023.

Proprietary Funds Net Position: Nonmajor enterprise funds reported total restricted net position for "other purposes" of \$162,108 at June 30, 2023 for the following programs: mine subsidence insurance, \$152,686; vocational support, \$2,450;

NOTE 15 - NET POSITION AND FUND BALANCE (continued)

maintain historical properties, \$3,953; restaurant maintenance in state facilities, \$396; local government loans, \$2,621, and port operations, \$2.

Proprietary Funds Unrestricted Net Position Deficits: In addition to unrestricted net position deficits reported in three of the six major enterprise funds (**State Workers' Insurance Fund**, **State Stores Fund** and the **Commonwealth Financing Authority**, a blended component unit), one nonmajor enterprise fund and one internal service fund reported an unrestricted net position deficit in the statement of net position-proprietary funds at June 30, 2023. The Rehabilitation Center Fund, a nonmajor enterprise fund, reported an unrestricted net position deficit of \$37,149 at June 30, 2023.

The Purchasing Fund, an internal service fund, reported an unrestricted net position deficit of \$56,488 at June 30, 2023. With the Commonwealth's implementation of GASB Statements No. 68 and No. 75, this fund has reported pension and other postemployment benefit liabilities, causing this deficit.

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 Turnpike Commission (PTC) adopted GASB Statement No.87 "Leases" for fiscal year ended May 31, 2023. 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 asset or deferred inflow of resources for a lessee and lessor arrangements, respectively, that are not recognized in the associated liability or receivable.

The Pennsylvania Higher Education Assistance Agency (PHEAA) adopted GASB Statement No. 96, "Subscription-Based Information Technology Arrangements" for the fiscal year ended June 30, 2023. GASB 96 requires a lessee to recognize a right-to-use subscription asset and a corresponding subscription liability.

The State System of Higher Education (SSHE) noted a change to beginning net position, all within the component units of SSHE. One component unit had erroneously reported an unrealized gain on derivative financial instrument of \$402.5 as an unrealized loss on derivative financial instrument of \$402.5 for the year ended May 31, 2022. Another component unit moved from modified accrual to full accrual accounting in the current fiscal year.

The following table reflects the aggregate restatement impact on the beginning net positions:

Statement of Net Position	PTC (May 31, 2023)	PHEAA	SSHE
Net position (deficit), as previously reported, at June 30, 2022 ...	(7,737,808)	390,247	(751,746)
Correction on Prior Year Unrealized Gain/Loss	—	—	805
Impact of adoption of GASB Statement No. 87	854	—	—
Impact of adoption of GASB Statement No. 96	—	(202)	—
Component Unit Accounting Change	—	—	676
Net position (deficit), as restated, at July 1, 2022	\$ (7,736,954)	\$ 390,045	\$ (750,265)

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	\$ —	\$ —	\$ —	\$ —	\$ 190,672
Bond mutual funds					
Level 1	—	—	—	—	2,852
Level 2	—	—	—	—	2,243
NAV	—	—	—	—	7,517
Commercial paper					
Level 2	—	—	54,570	—	156,012
Common stock					
Level 1	—	—	—	—	2,903
Commonwealth investment pool					
Level 2	—	—	—	1,611,970	—
NAV	—	—	630,861	—	—
Corporate obligations					
Level 2	176,008	—	—	—	226,680
Debt securities					
Level 1	—	—	—	—	2,100
Level 2	—	—	—	—	1,952
Equity balanced mutual funds					
Level 1	—	—	—	—	9,430
Level 2	—	—	—	—	24,157
Level 3	—	—	—	—	1,808
NAV	—	—	—	—	13,516
Federal agency discount notes					
Level 2	—	—	9,575	—	—
GNMA mortgages					
Level 2	458	—	—	—	—
Investment derivative instruments					
Level 2	2,493	—	—	—	—
Money market mutual funds					
Level 1	—	—	212,280	—	—
Level 2	—	—	—	—	27,204
Mortgage-backed securities					
Level 2	—	33,125	—	—	94,078
Municipal bonds					
Level 2	27,316	—	—	—	—
U.S. Government agency obligations					
Level 1	—	—	—	—	548
Level 2	110,714	495,403	—	—	266,840
U.S. Treasury obligations					
Level 1	1,589,975	—	—	—	—
Subtotal Level 1	1,589,975	—	212,280	—	17,833
Subtotal Level 2	316,989	528,528	64,145	1,611,970	989,838
Subtotal Level 3	—	—	—	—	1,808
Subtotal NAV	—	—	630,861	—	21,033
Total	\$ 1,906,964	\$ 528,528	\$ 907,286	\$ 1,611,970	\$ 1,030,512

Note: Does not include PENNVEST securities lending collateral of \$48,564 or \$751,059 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, 2023, \$30,400 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 \$572,936 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 \$15,800 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 \$2,223 of uninsured and uncollateralized deposits and \$36,486 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	\$ —	\$ —	\$ —	\$ —	\$ 190,672
Bond mutual funds	—	—	—	—	12,612
Commercial paper	—	—	54,570	—	156,012
Common stock	—	—	—	—	2,903
Corporate obligations	176,008	—	—	—	226,680
Debt securities	—	—	—	—	4,052
Derivative instruments	2,493	—	—	—	—
Equity/balanced mutual funds	—	—	—	—	48,911
Federal agency discount notes	—	—	9,575	—	—
GNMA mortgages	458	—	—	—	—
Money market mutual funds	—	—	212,280	—	27,204
Mortgage backed securities	—	33,125	—	—	94,078
Municipal bonds	27,316	—	—	—	—
Securities lending collateral	—	—	—	48,564	—
Commonwealth Investment Program	—	—	630,861	1,611,970	—
U.S. Government and agency obligations	110,714	495,403	—	—	267,388
U.S. Treasury obligations	1,589,975	—	—	—	—
Total investments	1,906,964	528,528	907,286	1,660,534	1,030,512
Certificates of deposit	—	—	—	—	14
Money market funds	—	—	—	—	7,469
Total deposits	\$ —	\$ —	\$ —	\$ —	\$ 7,483
Total investments and deposits	\$ 1,906,964	\$ 528,528	\$ 907,286	\$ 1,660,534	\$ 1,037,995

Note: Total investments by type does not include \$751,059 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, 2023:

Issuer Name	PHFA
Government National Mortgage Association	\$ 35,797
Tennessee Valley Authority	70,738
Federal Farm Credit Bank	134,564
Federal Home Loan Mortgage Corp	25,084
Federal Home Loan Bank	175,417
Federal National Mortgage Association	40,610
Federal Agricultural	46,308
	<u>\$ 528,518</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, 2023 (May 31, 2023 for the PTC):

Moody's Investors Service	PTC	PHFA	PHEAA	PENNVEST	SSHE
Aaa	\$ —	\$ 446,413	\$ —	\$ —	\$ 568,516
Aa	2,493	—	—	—	8,005
A	—	—	—	—	178,301
Baa	—	—	—	—	47,142
P1	—	—	—	—	156,012
Moody's Investors Service subtotal	2,493	446,413	—	—	957,976
Standard and Poor's					
AAA	100,163	—	212,280	—	—
AA	179,563	—	—	—	—
A	34,271	—	64,145	—	—
Below A	41	—	—	—	—
Standard and Poor's subtotal	314,038	—	276,425	—	—
Rated Subtotal	316,531	446,413	276,425	—	957,976
Unrated					
Bond mutual funds	—	—	—	—	12,612
Debt securities	—	—	—	—	1,684
Mortgage backed securities	—	33,104	—	—	—
Commonwealth Investment Program	—	—	630,861	1,611,970	—
U.S. Government agency obligations	458	49,011	—	—	6,426
U.S. Treasury obligations	1,589,975	—	—	—	—
Unrated subtotal	1,590,433	82,115	630,861	1,611,970	20,722
Total Fixed income investments	1,906,964	528,528	907,286	1,611,970	978,698
Variable income investments					
Equity/balanced mutual funds	—	—	—	—	48,911
Common stock	—	—	—	—	2,903
Variable income investments subtotal	—	—	—	—	51,814
Total investments	\$ 1,906,964	\$ 528,528	\$ 907,286	\$ 1,611,970	\$ 1,030,512

Note: Total investments do not include \$751,059 reported by component units of the SSHE or PENNVEST securities lending collateral of \$48,564.

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, 2023 and the SSHE at June 30, 2023:

Investment Type	PTC		SSHE		
	Amount	Option-Adjusted Duration	Amount	Option-Adjusted Duration	Securities with no Duration
Asset backed securities	\$ —	—	\$ 190,672	0.54	\$ —
Bond mutual funds	—	—	12,612	1.99	—
Certificates of deposit	—	—	—	—	14
Commercial paper	—	—	156,012	0.06	—
Corporate obligations	176,008	1.28	226,680	1.23	—
Debt securities	—	—	2,378	4.04	1,674
GNMA mortgages	458	4.40	—	—	—
Money market mutual funds	—	—	—	—	27,204
Mortgage-backed securities	—	—	94,078	1.88	—
Municipal bonds	27,316	1.49	—	—	—
U.S. Government agency obligations	110,714	0.92	266,840	0.41	548
U.S. Treasury obligations	1,589,975	1.28	—	—	—
Total	\$ 1,904,471		\$ 949,272		\$ 29,440

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, 2023:

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	\$ —	\$ 12,532	\$ 42,752	\$ 55,284
U.S. Government agency obligations	175,163	138,785	159,296	473,244
Total	\$ 175,163	\$ 151,317	\$ 202,048	\$ 528,528

Investment Type	PHEAA			
	Matures in less than 1 year	Matures in 1 to 10 years	Matures in more than 10 years	Total
Commercial paper	\$ 54,571	\$ —	\$ —	\$ 54,571
Money market mutual funds	212,280	—	—	212,280
Commonwealth Investment Program	630,861	—	—	630,861
Federal agency discount notes	9,575	—	—	9,575
Total	\$ 907,287	\$ —	\$ —	\$ 907,287

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Derivative Instruments

As of May 31, 2023, the PTC in its separately-issued financial statements reported noncurrent hedging derivative instrument liabilities of \$(50,765) which were offset by reported deferred outflow of resources of \$25,860. Changes in the net fair value of the hedging derivative instruments during the fiscal year ended May 31, 2023 \$36,119 were deferred.

As of June 30, 2023, the PHFA, in its separately-issued financial statements, reported a noncurrent hedging derivative instrument asset of \$7,488 and a noncurrent hedging derivative instrument liability of \$3,570. An accumulated decrease in fair value of hedging derivatives of \$3,570 and an accumulated increase in fair value of hedging derivatives of \$7,488 were deferred.

Further information regarding the nature and notional value of the hedging and investment derivative instruments of the PTC (as of May 31, 2023) and the PHFA (as of June 30, 2023) are available within their separately audited and issued financial statements.

Loans Receivable

Loans receivable at June 30, 2023 consisted of the following:

	<u>PHFA</u>	<u>PHEAA</u>	<u>PENNVEST</u>
Mortgage loans	\$ 4,772,652	\$ —	\$ —
Student loans	—	2,173,323	—
Drinking water, storm water and sewer system loans	—	—	2,748,287
Subtotal	<u>4,772,652</u>	<u>2,173,323</u>	<u>2,748,287</u>
Less: allowance for uncollectible amounts	139,401	7,230	23,386
Loans receivable, net	<u><u>\$ 4,633,251</u></u>	<u><u>\$ 2,166,093</u></u>	<u><u>\$ 2,724,901</u></u>

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Capital Assets

A summary of capital assets by category at May 31, 2023 for PTC and June 30, 2023 for SSHE is as follows:

PTC	Balance May 31, 2022	Increases	Decreases	Balance May 31, 2023
Non-depreciable capital assets:				
Land and intangibles	\$ 460,908	\$ 14,554	\$ —	\$ 475,462
Construction in progress	1,369,762	777,092	665,060	1,481,794
Subtotal	1,830,670	791,646	665,060	1,957,256
Depreciable capital assets:				
Buildings	1,034,358	65,293	—	1,099,651
Improvements other than buildings	189,597	483	—	190,080
Equipment	626,570	29,007	4,631	650,946
Infrastructure	10,107,010	585,520	79,426	10,613,104
Subtotal	11,957,535	680,303	84,057	12,553,781
Accumulated depreciation:				
Buildings	506,685	25,177	—	531,862
Improvements other than buildings	104,547	8,516	—	113,063
Equipment	481,076	39,164	3,343	516,897
Infrastructure	5,924,715	335,928	76,203	6,184,440
Total accumulated depreciation	7,017,023	408,785	79,546	7,346,262
Total capital assets being depreciated, net	4,940,512	271,518	4,511	5,207,519
Total capital assets	\$ 6,771,182	\$ 1,063,164	\$ 669,571	\$ 7,164,775

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

SSHE	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
Non-depreciable capital assets:				
Land and intangibles	\$ 34,258	\$ 81	\$ 550	\$ 33,789
Construction in progress	181,808	42,916	155,935	68,789
Subtotal	216,066	42,997	156,485	102,578
Depreciable capital assets:				
Buildings	3,187,362	65,241	(144,784)	3,397,387
Improvements other than buildings	351,498	3,104	(865)	355,467
Equipment	552,227	22,847	6,608	568,466
Library books	70,227	414	379	70,262
Right of use assets land	1,954	—	113	1,841
Right of use assets buildings	89,816	4,545	1,469	92,892
Right of use assets equipment	5,299	1,313	1,093	5,519
Subscription Assets	15,014	15,152	(113)	30,279
Subtotal	4,273,397	112,616	(136,100)	4,522,113
Accumulated depreciation and amortization:				
Buildings	1,421,805	114,245	32,945	1,503,105
Improvements other than buildings	198,535	11,662	(25,643)	235,840
Equipment	484,525	23,490	8,119	499,896
Library books	67,193	723	379	67,537
Right of use assets land	715	342	113	944
Right of use assets buildings	60,951	7,297	1,195	67,053
Right of use assets equipment	2,956	1,167	1,015	3,108
Subscription assets	—	7,557	—	7,557
Total accumulated depreciation and amortization	2,236,680	166,483	18,123	2,385,040
Total capital assets being depreciated and amortized, net	2,036,717	(53,867)	(154,223)	2,137,073
Total capital assets	\$ 2,252,783	\$ (10,870)	\$ 2,262	\$ 2,239,651

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 entered into long-term service plaza redevelopment agreements with HMSHost Family Restaurants, LLC (2006) and with Sunoco, Inc. (R&M) to design, reconstruct, finance, operate and maintain all the service plazas. These service concession arrangements do not fall within the scope of GASB Statement No. 87. 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 the revenue with the PTC as rental payments. Upon completion of construction, the reconstructed assets were recognized by the PTC.

In 2016, Sunoco, Inc. (R&M) assigned its lease to Sunoco Retail LLC, a wholly owned subsidiary of Sunoco, Inc. (R&M). During fiscal year 2018, the agreement with Sunoco Retail LLC was assigned to 7-Eleven, Inc. All terms of the agreement remained the same.

On July 13, 2021, the PTC approved and executed a Consent to Transfer of Lease Agreement with HMSHost Family Restaurants, LLC (with an effective date of July 23, 2021), whereby HMSHost transferred its leasehold to Applegreen USA Family Restaurants, LLC, a consortium of Applegreen Ltd. and Blackstone Infrastructure Partners. Upon closing of the transfer on July 23, 2021, the agreement with Applegreen USA Family Restaurants, LLC was then subsequently assigned to Applegreen PA Welcome Centers LLC, also effective as of July 23, 2021. This final step was finalized during fiscal year 2023 but is retroactive to July 23, 2021. This agreement expires on August 25, 2036.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

The agreement with 7-Eleven, Inc. was set to expire on January 31, 2022. 7-Eleven Inc.’s agreement 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 agreement with 7-Eleven, Inc. to exercise its option to renew the service plaza agreement for an additional five years, with an expiration date of January 31, 2027. 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, 2023, 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 \$63,700 related to these assets. Also, as of May 31, 2023, the PTC recognized a receivable and deferred inflow of resources in the amount of \$25,700 for the present value of guaranteed minimum rent payments. The PTC also recognized \$2,200 of restaurant revenue and \$2,600 of service station revenue for the fiscal year ended May 31, 2023 related to these agreements.

Student loan auction rate security bonds payable, notes payable and other financing obligations

The PHEAA has reported \$3,100 of auction rate security bonds payable, \$278,085 of revenue bonds, \$1,860,216 of notes payable (consisting of student loan financings of \$162,640 and student loan floating rate notes of \$1,697,576), and \$22,683 of other financings (consisting of lease and subscription IT obligations of \$22,123, a financed purchase agreement of \$560 and term financings of \$0) at June 30, 2023 as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Bonds payable:				
Student loan auction rate security bonds, due 2042, at interest rates of 5.77% as of June 30, 2023 and 1.62% as of June 30, 2022	\$ 4,200	\$ —	\$ (1,100)	\$ 3,100
Education loan revenue bonds, due 2025-2050 at fixed interest rates of 2.45%-5.00%	185,410	90,810	(8,475)	267,745
Add: premium on education loan revenue bonds	8,603	2,632	(895)	10,340
Subtotal	194,013	93,442	(9,370)	278,085
Total bonds payable	\$ 198,213	\$ 93,442	\$ (10,470)	\$ 281,185
Notes payable:				
Student loan floating rate notes, due 2028-2070 at weighted average rates of 4.43% as of June 30, 2023 and 1.72% as of June 30, 2022	\$ 2,248,244	\$ —	\$ (547,819)	\$ 1,700,425
Less: discount on student loan floating rate notes	(874)	—	149	(725)
Less: call premium on student loan floating rate notes	(2,787)	—	663	(2,124)
Subtotal	2,244,583	—	(547,007)	1,697,576
Student loan financings warehouse facilities, due 2024, at an interest rate of 0.08%	—	30,500	(30,500)	—
Student loan financings, due on demand, at weighted-average interest rates of 5.99% as of June 30, 2023 and 2.37% as of June 30, 2022	188,140	113,900	(139,400)	162,640
Total notes payable	\$ 2,432,723	\$ 144,400	\$ (716,907)	\$ 1,860,216
Other financings:				
Lease and subscription IT liabilities	\$ 12,807	\$ 30,212	\$ (20,896)	\$ 22,123
Financed purchase agreement, due in annual installments through 2024 at 0% interest	1,008	—	(448)	560
Term financings at 0% interest	6,280	—	(6,280)	—
Total other financings	\$ 20,095	\$ 30,212	\$ (27,624)	\$ 22,683

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

The notes 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, 2023, \$2,300,000 of student loan principal and related interest receivable and \$186,900 of cash equivalents collateralized the \$2,100,000 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 \$162,640 of student loan financings, which are recourse obligations to PHEAA.

PHEAA has four lines of credit that had a total outstanding balance of \$162,600 as of June 30, 2023. The lines of credit had a total unused balance of \$437,400 as of June 30, 2023.

The PHEAA reported debt service requirements subsequent to June 30, 2023, based upon stated maturities for student loan bonds and estimated interest payments for variable-rate debt after considering terms renegotiated after June 30, 2023 are as follows:

Year of maturity	Student Loan Bonds and Notes		Other Financing Obligations	
	Principal	Interest	Principal	Interest
2024	\$ 162,640	\$ 105,511	\$ 560	\$ —
2025	1,500	110,569	—	—
2026	6,400	110,473	—	—
2027	7,200	110,150	—	—
2028	13,400	109,766	—	—
2029-33	74,580	535,092	—	—
2034-38	148,052	513,122	—	—
2039-43	713,766	438,073	—	—
2044-48	102,160	274,539	—	—
2049-53	14,600	263,377	—	—
2054-58	50,457	259,189	—	—
2059-63	—	247,976	—	—
2064-68	253,963	205,201	—	—
2069-73	585,192	48,436	—	—
Total	\$ 2,133,910	\$ 3,331,474	\$ 560	\$ —

Reported as:

Student loan auction rate security bonds payable	\$ 3,100	\$ —
Education loan revenue bonds payable	278,085	—
Premium on revenue bonds payable	(10,340)	—
Notes payable - current	162,640	—
Notes payable - noncurrent	1,697,576	—
Discount on student loan floating rate notes	725	—
Call premium on student loan floating rate notes	2,124	—
Other financing obligations, current	—	560
Total principal	\$ 2,133,910	\$ 560

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, 2023, interest rates on \$3,100 reset based upon auctions every 28 days, \$1,900,000 was indexed to the one-month or three-month LIBOR (London interbank offered rate).

The PHEAA reported current notes payable of \$162,640 at June 30, 2023. Also, the PHEAA reported noncurrent notes payable of \$1,975,661 at June 30, 2023.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Long-Term Obligations

Significant revenue bond obligations of the PTC (as of May 31, 2023) and the PHFA (as of June 30, 2023), 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, 2022	Additions	Reductions	Balance May 31, 2023
PTC	2005-23	various	2053	\$ 14,906,060	\$ 906,334	\$ 894,925	\$ 14,917,469
Less: unamortized bond discount				(307)	—	(14)	(293)
Add: unamortized bond premium				1,545,000	93,943	118,101	1,520,842
Add: direct placements and borrowings				706,775	—	50,000	656,775
TOTAL				\$ 17,157,528	\$ 1,000,277	\$ 1,063,012	\$ 17,094,793

Year of Maturity	Bonds			Direct Placements and Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 482,900	\$ 689,081	\$ 1,171,981	\$ 45,000	\$ 25,232	\$ 70,232
2025	314,030	677,462	991,492	88,500	24,339	112,839
2026	344,286	665,773	1,010,059	—	22,559	22,559
2027	381,195	646,723	1,027,918	—	22,559	22,559
2028	364,680	629,436	994,116	—	22,607	22,607
2029-2033	2,305,013	2,894,949	5,199,962	34,265	110,762	145,027
2034-2038	3,169,857	2,225,414	5,395,271	137,230	90,433	227,663
2039-2043	3,616,078	1,505,543	5,121,621	351,780	32,601	384,381
2044-2048	2,758,165	621,625	3,379,790	—	—	—
2049-2053	1,153,215	115,321	1,268,536	—	—	—
2054-2058	28,050	1,122	29,172	—	—	—
Total	\$14,917,469	\$10,672,449	\$25,589,918	\$ 656,775	\$ 351,092	\$ 1,007,867

REVENUE BONDS & NOTES PAYABLE	Issue Dates	Interest Rates	Maturity Dates Through	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
PHFA	2004-2023	various	2054	\$ 3,657,486	\$ 1,249,735	\$ 362,644	\$ 4,544,577
Add: unamortized bond premium				89,533	20,649	10,757	99,425
TOTAL				\$ 3,747,019	\$ 1,270,384	\$ 373,401	\$ 4,644,002

Year of Maturity	Principal	Interest	Total
2024	\$ 144,242	\$ 151,821	\$ 296,063
2025	152,393	152,997	305,390
2026	151,398	147,705	299,103
2027	160,058	142,376	302,434
2028	158,248	136,865	295,113
2029-33	815,248	602,351	1,417,599
2034-38	753,480	471,885	1,225,365
2039-43	754,430	346,824	1,101,254
2044-48	693,935	220,024	913,959
2049-53	706,530	82,846	789,376
2054-58	54,615	1,525	56,140
Total	\$ 4,544,577	\$ 2,457,219	\$ 7,001,796

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

The table below presents significant bond obligations of SSHE at June 30, 2023 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, 2022	Additions	Reductions	Balance June 30, 2023
SSHE	2008-21	various	2055	\$ 1,910,900	\$ —	\$ 116,105	\$ 1,794,795

Year of Maturity	Principal	Interest	Total
2024	\$ 132,085	\$ 56,180	\$ 188,265
2025	98,185	52,176	150,361
2026	98,270	49,191	147,461
2027	103,650	46,205	149,855
2028	104,505	43,074	147,579
2029-2033	489,160	167,609	656,769
2034-2038	440,100	95,146	535,246
2039-2043	280,235	32,179	312,414
2044-2048	43,810	4,041	47,851
2049-2053	3,505	865	4,370
2054-2058	1,290	89	1,379
Total	\$ 1,794,795	\$ 546,755	\$ 2,341,550

Note: The total principal obligations outstanding do not include \$758,697 in bonds and notes payable reported by component units of the SSHE.

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, 2023, the PHFA had \$702,025 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, 2023, the SPSBA had \$2,246,676 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, 2023, the PHEFA had \$5,010,504 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, 2023, the PEDFA had \$8,568,524 of debt outstanding of which \$8,230,564 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.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**Refunded Debt****PTC**

In September 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), and 2020 First Series Senior Revenue Refunding Bonds (\$21,405) and paying for the costs of issuing the 2022 Series A Senior Revenue Refunding Bonds. The refunding of the 2013 Series C Senior Revenue Bonds, 2014 Series A Senior Revenue Bonds, 2014 Series C Senior Revenue Bonds, 2014 Series Refunding Senior Revenue Bonds, 2015 Series A-1 Senior Revenue Bonds, 2015 Series B Senior Revenue Bonds, and 2020 First Series Senior Revenue Refunding Bonds allowed the PTC to reduce its debt service by approximately \$27,300. The transaction resulted in an economic gain \$16,800.

In December 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 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; to refund the 2018 EB-5 Loan 1st Tranche (\$50,000) and the payment of the costs of issuing the 2022 Series B Senior Revenue Bonds.

In December 2022, the PTC entered into, as a Direct Placement, a Bond Purchase Agreement of \$233,015 Series of 2024 Forward Delivery Refunding Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2037. The Series of 2024 Forward Delivery Refunding Senior Revenue Bonds will be issued to refund a portion of the Series 2014 Refunding Senior Revenue Bonds (\$98,790), 2014 Series A Senior Revenue Bonds (\$59,535), and 2014 Series C Senior Revenue Bonds (\$74,690) and paying the costs of issuing the Series of 2024 Forward Delivery Refunding Senior Revenue Bonds. The Series of 2024 Forward Delivery Refunding Senior Revenue Bonds will be delivered on October 23, 2024. As of May 31, 2023, the PTC does not have outstanding principal related to this transaction.

In March 2023, the PTC issued \$343,800 of 2023 First Series Subordinate Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2043. The 2023 First Series Subordinate Revenue Refunding Bonds were issued pursuant to the Tender Offer to refund a portion of the 2009 Series C Subordinate Revenue Bonds (\$26,275), 2009 Series E Subordinate Revenue Bonds (\$48,350), 2013 Series B-3 Subordinate Revenue Bonds (\$295), 2014 Series A-1 Subordinate Revenue Bonds (\$34,210), 2014 Series B Subordinate Revenue Bonds (\$65,180), 2015 Series A-1 Subordinate Revenue Bonds (\$23,485), 2015 Series B Subordinate Revenue Bonds (\$23,145), 2016 Refunding Subordinate Revenue Bonds (\$24,410), 2016 Series A-1 Subordinate Revenue Bonds (\$23,090), 2017 Series A Subordinate Revenue Bonds (\$76,870), 2019 First Series Subordinate Revenue Refunding Bonds (\$6,555), and 2020 First Series Subordinate Revenue Refunding Bonds (\$5,500) and paying for the costs of issuing the 2023 First Series Subordinate Revenue Refunding Bonds. The refunding of the 2009 Series C Subordinate Revenue Bonds, 2009 Series E Subordinate Revenue Bonds, 2013 Series B-3 Subordinate Revenue Bonds, 2014 Series A-1 Subordinate Revenue Bonds, 2014 Series B Subordinate Revenue Bonds, 2015 Series A-1 Subordinate Revenue Bonds, 2015 Series B Subordinate Revenue Bonds, 2016 Refunding Subordinate Revenue Bonds, 2016 A-1 Subordinate Revenue Bonds, 2017 Series A Subordinate Revenue Bonds, 2019 First Series Subordinate Revenue Refunding Bonds, and 2020 First Series Subordinate Revenue Refunding Bonds allowed the PTC to reduce its debt service by approximately \$40,600. The transaction resulted in an economic gain \$29,400.

PHFA

On February 17, 2023 the PHFA issued Series 2023-141B single family mortgage revenue bonds in the amount of \$31,250. The proceeds of this issuance were used to refund \$31,250 of the Series 2018-126B bonds. this refunding resulted in an economic gain (the difference between the present value of the old and new debt service payments) equal to \$705 and an increase in future debt service payments equal to \$15,260.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

On June 29, 2023 the PHFA issued Series 2023-142A single family mortgage revenue bonds in the amount of \$24,440. The proceeds of this issuance were used to refund \$24,440 of the Series 2018-127C bonds. this refunding resulted in an economic gain (the difference between the present value of the old and new debt service payments) equal to \$91 and a reduction of future debt service payments equal to \$2,963.

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, 2023 (May 31, 2023 for the PTC), these entities reported a net pension liability, proportionate share percentage and pension expense as follows:

SERS

Fiscal year ended June 30, 2023	PTC (May 31, 2023)	PHEAA	PENNVEST	SSHE
Net pension liability	\$ 331,574	\$ 260,049	\$ 10,651	\$ 948,291
Proportionate share percentage	1.45 %	1.14 %	0.047 %	4.15 %
Pension (expense) income	\$ (25,500)	\$ 7,551	\$ (1,729)	\$ (92,672)

PSERS

Fiscal year ended June 30, 2023	SSHE
Net pension liability	\$ 79,492
Proportionate share percentage	0.18 %
Pension (expense) income	\$ (10,133)

The PHFA’s full time employees participate in two defined benefit single employer plans. For the fiscal year ended June 30, 2023, the PHFA reported a net pension liability of \$39,723 and a pension expense of \$8,122.

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, 2023), PHFA, PHEAA, PENNVEST and SSHE at June 30, 2023 as follows:

As of and for the fiscal year ended June 30, 2023	PTC (May 31, 2023)	PHFA	PHEAA	PENNVEST	SSHE
Net OPEB liability	\$ (109,651)	\$ 92,761	\$ 205,702	\$ 4,230	\$ 1,265,218
OPEB (expense) income	\$ 9,400	\$ 5,514	\$ 30,900	\$ (1,260)	\$ (178,304)

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, 2023 the PTC has paid PennDOT \$7,950,000; the **Motor License Fund** received \$2,250,000 and the Public Transportation Trust Fund received \$5,700,000.

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 \$982,980 at May 31, 2023.

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, 2023 (May 31, 2023 for the PTC):

Deferred Outflows of Resources	PTC	PHFA	PHEAA	PENNVEST	SSHE
Hedge derivative instruments	\$ 25,860	\$ 3,570	\$ —	\$ —	\$ —
Pensions					
Difference between expected and actual experience	4,818	6,075	3,779	155	13,817
Net difference between projected and actual investment earnings	45,038	13,747	35,323	1,447	128,807
Changes in proportions	—	—	—	888	380
Changes in assumptions	22,363	626	17,539	718	66,332
Difference between employer contributions and proportionate share of total contributions	534	—	9,158	15	2,085
Contributions after the measurement date	15,189	1,098	14,271	511	61,533
OPEB					
Difference between expected and actual experience	2,829	6,649	7,832	161	13,733
Net difference between projected and actual investment earnings	4,039	—	850	17	1,496
Changes in proportions	—	—	25,491	729	149,572
Changes in assumptions	24,486	13,275	18,644	383	5,568
Contributions after the measurement date	14,652	2,491	4,164	189	37,591
Deferred loss on bond refundings	239,751	—	1,010	—	4,243
Total	\$ 399,559	\$ 47,531	\$ 138,061	\$ 5,213	\$ 485,157
Deferred Inflows of Resources					
Deferred gain on bond refundings	\$ 22,591	\$ 1,435	\$ —	\$ —	\$ 2,181
Hedge derivative instruments	76,625	7,488	—	—	—
Split-interest agreements	—	—	—	—	8
Pensions					
Difference between expected and actual experience	920	116	722	30	3,320
Net difference between projected and actual investment earnings	—	—	—	—	1,349
Changes in proportions	36,349	—	109,576	—	66,720
Changes in assumptions	—	1,104	—	—	—
Difference between employer contributions and proportionate share of total contributions	961	—	—	21	1,065
OPEB					
Difference between expected and actual experience	52,193	7,949	61,388	1,262	371,186
Changes in proportions	—	—	33,235	245	402,119
Changes in assumptions	1,453	41,465	37,911	780	92,599
Difference between employer contributions and proportionate share of total contributions	—	—	—	—	—
Leases	38,440	—	1509	0	14495
Service concession arrangements	89,344	—	—	—	—
Total	\$ 318,876	\$ 59,557	\$ 244,341	\$ 2,338	\$ 955,042

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**Subsequent Events****PTC**

On June 12, 2023, the PTC entered into an extension of the Indenture No. 56 regarding the 2020 Series A Senior Letter of Credit with a new termination date of June 12, 2026.

On June 20, 2023, 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 2022 Line of Credit expired on June 13, 2023.

On September 6, 2023, the PTC issued \$231,425 of 2023 Series Motor License Registration Fee Revenue Refunding Bonds at a variable rate with a maturity date of July 15, 2041. The 2023 Motor License Registration Fee Revenue Refunding Bonds were issued to refund the 2005 Series B Motor License Registration Fee Revenue Bonds (\$77,140), 2005 Series C Motor License Registration Fee Revenue Bonds (\$77,140), and 2005 Series D Motor License Registration Fee Revenue Bonds (\$77,145) and paying for the costs of issuing the 2023 Series Motor License Registration Fee Revenue Refunding Bonds.

On September 7, 2023, the PTC issued \$400,000 of 2023 Series A Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2053. The 2023 Series A Senior Revenue Bonds were primarily issued 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, to refund a portion of the 2013 Series C Senior Revenue Bonds (\$15,895) and the 2018 EB-5 Loan 2nd Tranche (\$45,000), and for paying the costs of issuing the 2023 Series A Senior Revenue Bonds.

On October 3, 2023, the PTC authorized the approval of the issuance of the Pennsylvania Turnpike Commission's variable and/or fixed rate Turnpike Revenue Bonds in an aggregate principal amount not to exceed \$600,000 in one or more series or sub-series, taxable or tax-exempt, for the purpose of financing the refunding of all or a portion of certain outstanding fixed rate and/or variable rate Turnpike Revenue Refunding Bonds, funding of any necessary reserves, funding of the costs of issuance of such Turnpike Revenue Bonds.

On October 3, 2023, the PTC authorized the approval of the issuance of the Pennsylvania Turnpike Commission's variable and/or fixed rate Turnpike Revenue Bonds in an aggregate principal amount not to exceed \$600,000 in one or more series or sub-series, taxable or tax-exempt, for the purpose of financing the costs of various capital expenditures for the Pennsylvania Turnpike system set forth in the PTC's current Ten Year Capital Plan, the refunding of all or a portion of certain outstanding fixed rate and/or variable rate Turnpike Revenue Refunding Bonds, funding of any necessary reserves, funding of the costs of issuance of such Turnpike Revenue Bonds.

On October 3, 2023, the PTC authorized the approval of the issuance of the Pennsylvania Turnpike Commission's variable and/or fixed rate Turnpike Revenue Bonds in an aggregate principal amount not to exceed \$500,000 in one or more series or sub-series, taxable or tax-exempt, for the purpose of financing the costs of various capital expenditures for the Pennsylvania Turnpike system set forth in the PTC's current Ten Year Capital Plan, the refunding of all or a portion of certain outstanding fixed rate and/or variable rate Turnpike Revenue Refunding Bonds, funding of any necessary reserves and funding of the costs of issuance of such Turnpike Revenue Bonds.

On October 3, 2023, the PTC authorized the approval of the issuance of the Pennsylvania Turnpike Commission's variable and/or fixed rate Turnpike Subordinate Revenue Bonds in an aggregate principal amount not to exceed \$250,000 in one or more series or sub-series, taxable or tax-exempt, for the purpose of financing the refunding of all or a portion of certain outstanding fixed rate and/or variable rate Turnpike Subordinate Revenue Refunding Bonds, funding of any necessary reserves and funding of the costs of issuance of such Turnpike Subordinate Revenue Bonds.

On October 3, 2023, the PTC authorized the approval of the issuance of the Pennsylvania Turnpike Commission's variable and/or fixed rate Turnpike Revenue Bonds in an aggregate principal amount not to exceed \$170,000 in one or more series or sub-series, taxable or tax-exempt, for the purpose of financing the current refunding of all or a portion of certain outstanding fixed rate and/or variable rate Turnpike Revenue Refunding Bonds, funding of any necessary reserves, the obtaining of one or more credit facilities to provide credit enhancement or liquidity support in connection with the issuance of the bonds and funding of the costs of issuance of such Turnpike Revenue Bonds.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

On October 3, 2023, the PTC authorized the approval of the issuance of the Pennsylvania Turnpike Commission's variable and/or fixed rate Turnpike Revenue Bonds in an aggregate principal amount not to exceed \$100,000 in one or more series or sub-series, taxable or tax-exempt, for the purpose of financing the costs of various capital expenditures for the Pennsylvania Turnpike system set forth in the PTC's current Ten Year Capital Plan, funding of any necessary reserves, funding interest and funding of the costs of issuance of such Turnpike Revenue Bonds.

On November 9, 2023, the PTC issued \$190,125 of 2023 Series B Senior Revenue Refunding Bonds at a variable rate with a maturity of December 1, 2043. The 2023 Series B Senior Revenue Refunding Bonds were issued for the purpose of financing the refunding of 2018 Series A-1 Senior Revenue Bonds (\$117,745) and 2018 Series B Senior Revenue Bonds (\$71,200), obtaining a TD Bank, N.A. Letter of Credit as a Credit Facility in connection with the 2023 Series B Senior Revenue Refunding Bonds and for paying the costs of issuing the 2023 Series B Senior Revenue Refunding Bonds.

PHFA

On November 30, 2023, the PHFA issued Single Family Revenue Bonds, Series 143, in the amount of \$475,270.

PHEAA

As of June 30, 2023, the ICE Benchmark Administration (IBA), the administrator of USD LIBOR, ceased publication of 1-month and 3-month USD LIBOR. The majority of the indentures of trusts associated with the PHEAA and the PHEAA Student Loan Trusts have referenced interest rates tied to LIBOR however, they do not have fallback language specifying a benchmark replacement. Therefore, the PHEAA will follow the Federal legislation to transition to Secured Overnight Finance Rate (SOFR) as the alternate benchmark rate. In addition, the Federal legislation dictates that the 1-month LIBOR will be replaced with SOFR for calculation the special allowance payments. The transition to the 30-day average SOFR plus the applicable tenor spread adjustment was effective on July 3, 2023.

SSHE

On July 15, 2023, the SSHE redeemed \$11,125 principal amount of the Series AO-2 revenue bonds originally issued in July 2013 by PHEFA. The redemption was performed to reduce debt service by approximately \$3,300 at Indiana University of Pennsylvania.

The 2023-24 State budget, which was signed by Governor Shapiro on August 3, 2023, establishes the Facility Transition Account as a restricted account in the **General Fund** to make early repayment of debt service on SSHE owned facilities in the amount of \$65,431. These funds are specifically associated with debt of Pennsylvania Western University. This transaction closed on October 31, 2023 and the final amount to defease the debt was \$62,455, with the remaining \$2,976 being returned to the Commonwealth.

NOTE 17 - SUBSEQUENT EVENTS**Budget Stabilization Surplus Transfer**

In accordance with Section 1702-A of the Fiscal Code of 1929, the Secretary of the Budget certified a surplus in the **General Fund** for the 2022-2023 fiscal year. A transfer to the Budget Stabilization Reserve Fund in the amount of \$898,319 occurred on November 2, 2023.

Short-term Debt

On November 16, 2023, the Commonwealth initiated a Capital Funding Investment Agreement (Investment Agreement) between the Treasury Department and the Office of the Budget for \$500,000 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 March 1, 2024, whichever date comes first. The Investment Agreement is structured as a revolving line of credit, which imposes a 5.37% rate of return for 30 days beginning on the date that the first advance is deposited in the Capital Facilities Fund. The interest rate applicable to the aggregate amount of the unpaid advances will be reset on the first day of each succeeding 30 days period at the annual rate earned by the Treasury Department's Short-term Investments Pool on the day before the reset.

NOTE 18 - RESTATEMENT

Effective July 1, 2022, the Commonwealth implemented the Governmental Accounting Standards Board’s (GASB) Statement 96, Subscription-Based Information Technology Arrangements (SBITAs). GASB 96 requires all SBITAs to be reported as financing arrangements of the right to use another party’s asset. Under this statement, a government is required to recognize a SBITA liability and an intangible right-to-use asset. Certain outlays prior to the commencement of the subscription are included in the recognition of the intangible right-to-use asset that are not recognized in the associated liability. These differences in valuation resulted in the restatement of the Commonwealth’s beginning balances. The below charts display the related changes to Commonwealth’s beginning net position, governmental fund balances, and proprietary statement of net position as of July 1, 2022.

Government-Wide Statement of Net Position

	Governmental Activities	Business-Type Activities
Net position (deficit), as previously reported at June 30, 2022	\$ 18,332,756	\$ (1,415,068)
Implementation of GASB 96:		
General Fund	9,825	—
Motor License Fund	1,856	—
State Stores Fund	—	341
Other nonmajor funds:		
Medical Care Availability & Reduction of Error Fund	567	—
Medical Marijuana Program Fund	81	—
Purchasing Fund	83	—
Total net position (deficit), as restated at July 1, 2022	<u>\$ 18,345,168</u>	<u>\$ (1,414,727)</u>

Statement of Proprietary Net Position

	Enterprise Funds			Internal Service Funds
	Major Funds	Nonmajor Funds	Total	
Net position (deficit), as previously reported at June 30, 2022	\$ (2,527,516)	\$ 1,112,448	\$ (1,415,068)	\$ (24,547)
Implementation of GASB 96:				
State Stores Fund	341	—	341	—
Other nonmajor funds:				
Purchasing Fund	—	—	—	83
Total net position (deficit), as restated at July 1, 2022	<u>\$ (2,527,175)</u>	<u>\$ 1,112,448</u>	<u>\$ (1,414,727)</u>	<u>\$ (24,464)</u>



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

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)	2023	2022 ⁽⁵⁾	2021 ⁽³⁾⁽⁴⁾	2020	2019	2018	2017	2016 ⁽²⁾	2015
SERS as of 12/31									
Commonwealth's portion of the net pension liability	92.32 %	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 ..	\$ 19,400,012	\$ 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	\$ 5,472,641	\$ 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	354.49 %	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	61.50 %	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 ..	\$ 265,063	\$ 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 nine 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)	2023 ⁽²⁾	2022	2021	2020	2019	2018	2017	2016	2015
SERS as of 6/30									
Contractually required contribution	\$ 1,986,331	\$ 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	(1,986,331)	(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	\$ 5,472,641	\$ 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 ...	36.3 %	34.68 %	33.87 %	34.02 %	33.48 %	33.82 %	30.49 %	26.11 %	21.49 %
PSERS as of 6/30									
Non-employer contributing entity									
Contributions to the plan	\$ 31,565	\$ 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 nine years are presented in the above schedule.

(2) Contributions to the PSERS plan as of June 30, 2023 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	2023 ⁽²⁾	2022	2021	2020	2019	2018	2017	
Total OPEB liability								
Service cost	\$ 254,312	\$ 318,669	\$ 473,034	\$ 353,220	\$ 398,501	\$ 527,110	\$ 617,953	
Interest	492,319	399,778	288,619	384,165	586,939	736,947	633,617	
Differences between expected and actual experience	(1,431,856)	446,115	(1,073,951)	12,936	(5,082,545)	(5,445,495)	—	
Changes of assumptions	(870,494)	(1,163,056)	(1,171,069)	1,617,170	403,428	(576,855)	(2,228,187)	
Benefit payments	(460,268)	(466,070)	(455,512)	(448,809)	(550,144)	(611,081)	(649,705)	
Contributions - retiree	56,041	53,031	49,517	48,531	49,179	48,585	52,198	
Net change in total OPEB liability	(1,959,946)	(411,533)	(1,889,362)	1,967,213	(4,194,642)	(5,320,789)	(1,574,124)	
Total OPEB liability - beginning	10,487,651	10,899,184	12,788,546	10,821,333	15,015,975	20,336,764	21,910,888	
Total OPEB liability - ending (a)	\$ 8,527,705	\$ 10,487,651	\$ 10,899,184	\$ 12,788,546	\$ 10,821,333	\$ 15,015,975	\$ 20,336,764	
Plan fiduciary net position								
Contributions - employer	\$ 461,133	\$ 468,157	\$ 451,879	\$ 465,137	\$ 558,876	\$ 591,796	\$ 653,720	
Contributions - retiree	56,041	53,031	49,517	48,531	49,179	48,585	52,198	
Net investment earnings	78,950	(95,404)	157,799	2,421	21,283	27,351	31,833	
Benefit payments	(460,268)	(466,070)	(455,512)	(448,809)	(550,144)	(611,081)	(649,705)	
Administrative expense	(5,451)	(5,363)	(5,807)	(5,707)	(5,562)	(5,232)	(6,213)	
Net change in plan fiduciary net position	130,405	(45,649)	197,876	61,573	73,632	51,419	81,833	
Plan fiduciary net position - beginning	621,280	666,929	469,053	407,480	333,848	282,429	200,596	
Plan fiduciary net position - ending (b)	\$ 751,685	\$ 621,280	\$ 666,929	\$ 469,053	\$ 407,480	\$ 333,848	\$ 282,429	
Net OPEB liability (a) - (b)	\$ 7,776,020	\$ 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	8.81 %	5.92 %	6.12 %	3.67 %	3.77 %	2.22 %	1.39 %	
Covered-employee payroll	\$ 4,362,432	\$ 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	178.25 %	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 seven years are presented in the above schedule.

(2) For the fiscal year ended June 30, 2023, the discount rate applied for the development of the net OPEB liability was 5.65%. 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	2023 ⁽²⁾	2022	2021	2020	2019	2018	2017
Total OPEB liability							
Service cost	\$ 167,479	\$ 257,982	\$ 212,753	\$ 150,941	\$ 145,817	\$ 161,103	\$ 193,336
Interest	241,339	184,222	153,410	205,461	234,405	225,601	196,049
Differences between expected and actual experience	(499,888)	(90,929)	494,350	(216,290)	(728,659)	(202,655)	—
Changes of assumptions	(188,699)	(1,808,717)	839,654	1,018,439	296,435	(272,746)	(803,662)
Benefit payments	(172,747)	(156,950)	(161,802)	(138,281)	(143,323)	(140,440)	(123,595)
Contributions - retiree	1,139	1,207	1,131	1,137	1,072	1,077	1,143
Net change in total OPEB liability	(451,377)	(1,613,185)	1,539,496	1,021,407	(194,253)	(228,060)	(536,729)
Total OPEB liability - beginning	6,735,063	8,348,248	6,808,752	5,787,345	5,981,598	6,209,658	6,746,387
Total OPEB liability - ending (a)	\$ 6,283,686	\$ 6,735,063	\$ 8,348,248	\$ 6,808,752	\$ 5,787,345	\$ 5,981,598	\$ 6,209,658
Plan fiduciary net position							
Contributions - employer	\$ 172,426	\$ 157,314	\$ 158,772	\$ 142,448	\$ 142,292	\$ 133,813	\$ 122,870
Contributions - retiree	1,139	1,207	1,131	1,137	1,072	1,077	1,143
Net investment earnings	14,154	(18,891)	34,919	1,058	4,854	8,714	11,133
Benefit payments	(172,747)	(156,950)	(161,802)	(138,281)	(143,323)	(140,440)	(123,595)
Administrative expense	(735)	(726)	(661)	(559)	(510)	(473)	(417)
Net change in plan fiduciary net position	14,237	(18,046)	32,359	5,803	4,385	2,691	11,134
Plan fiduciary net position - beginning	120,858	138,904	106,545	100,742	96,357	93,666	82,532
Plan fiduciary net position - ending (b)	135,095	120,858	138,904	106,545	100,742	96,357	93,666
Net OPEB liability (a) - (b)	\$ 6,148,591	\$ 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	2.15 %	1.79 %	1.66 %	1.56 %	1.74 %	1.61 %	1.51 %
Covered-employee payroll	\$ 510,797	\$ 466,390	\$ 447,926	\$ 426,728	\$ 408,648	\$ 387,245	\$ 386,602
Total/Net OPEB liability as a % of covered-employee payroll	1,203.72 %	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 seven years are presented in the above schedule.

(2) For the fiscal year ended June 30, 2023, the discount rate applied for the development of the net OPEB liability was 3.65%. 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

	2023	2022	2021	2020	2019	2018	2017
REHP							
Contractually required contribution ⁽²⁾	\$ 276,731	\$ 235,156	\$ 274,020	\$ 459,372	\$ 588,273	\$ 493,288	\$ 734,378
Contributions in relation to the contractually required contribution	(461,133)	(468,157)	(451,879)	(465,137)	(558,876)	(591,796)	(653,720)
Contribution deficiency (excess)	\$ (184,402)	\$ (233,001)	\$ (177,859)	\$ (5,765)	\$ 29,397	\$ (98,508)	\$ 80,658
Covered-employee payroll	\$4,362,432	\$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	10.57 %	11.18 %	10.86 %	11.39 %	14.00 %	15.13 %	16.75 %
RPSPP							
Contractually required contribution ⁽²⁾	\$ 185,369	\$ 151,097	\$ 152,857	\$ 149,434	\$ 144,786	\$ 131,499	\$ 132,201
Contributions in relation to the contractually required contribution	(172,426)	(157,314)	(158,772)	(142,448)	(142,292)	(133,813)	(122,870)
Contribution deficiency (excess)	\$ 12,943	\$ (6,217)	\$ (5,915)	\$ 6,986	\$ 2,494	\$ (2,314)	\$ 9,331
Covered-employee payroll	\$ 510,797	\$ 466,390	\$ 447,926	\$ 426,728	\$ 408,648	\$ 387,245	\$ 386,602
Contributions as a % of covered-employee payroll	33.76 %	33.73 %	35.45 %	33.38 %	34.82 %	34.56 %	31.78 %
Premium Assistance Plan							
Non-employer contributing entity							
Contributions to the plan	\$ 695	\$ 690	\$ 722	\$ 705	\$ 701	\$ 677	
Commonwealth's proportionate share of the net OPEB liability	\$ 10,964	\$ 14,048	\$ 13,260	\$ 13,806	\$ 12,599	\$ 11,990	

Investment Returns

Annual weighted rate of return, net of investment expense ⁽³⁾	2023	2022	2021	2020	2019	2018	2017
REHP	11.18 %	(12.79)%	31.44 %	1.26 %	4.69 %	13.27 %	13.27 %
RPSPP	11.18 %	(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 seven 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 six 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)

	2023	2022	2021	2020	2019	2018
Judiciary						
Service cost	\$ 27,014	\$ 43,932	\$ 38,760	\$ 23,829	\$ 23,134	\$ 22,279
Interest	27,588	19,190	20,911	26,715	27,007	25,155
Differences between expected and actual experience	—	(30,665)	—	(63,125)	—	—
Changes of assumptions	(31,601)	(194,030)	54,642	45,949	36,007	—
Benefit payments	(27,781)	(26,622)	(23,877)	(22,573)	(22,491)	(23,152)
Net changes in total OPEB liability	\$ (4,780)	\$ (188,195)	\$ 90,436	\$ 10,795	\$ 63,657	\$ 24,282
Total OPEB liability - beginning	662,550	850,745	760,309	749,514	685,857	661,575
Total OPEB liability - ending	\$ 657,770	\$ 662,550	\$ 850,745	\$ 760,309	\$ 749,514	\$ 685,857
Covered-employee payroll	\$ 232,123	\$ 216,994	\$ 212,516	\$ 213,663	\$ 207,871	\$ 205,458
Total/Net OPEB liability as a % of covered-employee payroll	283.37 %	305.33 %	400.32 %	355.84 %	360.57 %	333.82 %
House						
Service cost	\$ 43,925	\$ 46,752	\$ 28,087	\$ 28,429	\$ 30,547	\$ 32,884
Interest	20,863	17,513	20,793	17,974	20,434	16,804
Changes of benefit terms	—	—	6,140	—	—	—
Differences between expected and actual experience	100,562	—	(4,000)	—	(84,654)	—
Changes of assumptions	(319,854)	(64,359)	274,966	(10,332)	5,688	(50,056)
Benefit payments	(24,027)	(23,090)	(20,625)	(19,340)	(19,880)	(18,692)
Net changes in total OPEB liability	\$ (178,531)	\$ (23,184)	\$ 305,361	\$ 16,731	\$ (47,865)	\$ (19,060)
Total OPEB liability - beginning	884,100	907,284	601,923	585,192	633,057	652,117
Total OPEB liability - ending	\$ 705,569	\$ 884,100	\$ 907,284	\$ 601,923	\$ 585,192	\$ 633,057
Covered-employee payroll	\$ 98,374	\$ 95,126	\$ 95,126	\$ 92,188	\$ 92,188	\$ 92,898
Total/Net OPEB liability as a % of covered-employee payroll	717.23 %	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 six 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)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Senate						
Service cost	\$ 2,068	\$ 2,122	\$ 6,175	\$ 5,389	\$ 4,260	\$ 4,116
Interest	9,450	14,268	7,310	9,670	13,576	13,284
Changes of assumptions	(7,854)	(149,486)	24,483	(51,867)	—	—
Benefit payments	(9,365)	(8,885)	(9,649)	(9,845)	(8,967)	(9,142)
Net changes in total OPEB liability	\$ (5,701)	\$ (141,981)	\$ 28,319	\$ (46,653)	\$ 8,869	\$ 8,258
Total OPEB liability - beginning	240,919	382,900	354,581	401,234	392,365	384,107
Total OPEB liability - ending	<u>\$ 235,218</u>	<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	\$ 55,379	\$ 52,262	\$ 52,262	\$ 48,530	\$ 48,530
Total/Net OPEB liability as a % of covered-employee payroll	424.74 %	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 six 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, 2023

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis) ⁽²⁾
REVENUES:					
State Programs:					
Corporation taxes	\$ 6,891,500	\$ 689,700	\$ 7,581,200	\$ 672,812	\$ 8,254,012
Consumption taxes	15,280,600	88,900	15,369,500	53,532	15,423,032
Other taxes	20,632,000	(643,900)	19,988,100	111,255	20,099,355
TOTAL TAX REVENUE	42,804,100	134,700	42,938,800	837,599	43,776,399
Nontax revenue	775,600	212,800	988,400	152,349	1,140,749
TOTAL REVENUE STATE	43,579,700	347,500	43,927,200	989,948	44,917,148
less: Refunds	(1,294,400)	(195,000)	(1,489,400)	—	(1,489,400)
plus: Departmental services	5,833,415	—	5,833,415	12,897	5,846,312
TOTAL STATE PROGRAMS	48,118,715	152,500	48,271,215	1,002,845	49,274,060
Federal programs	41,213,236	3,303,857	44,517,093	—	44,517,093
TOTAL REVENUES	89,331,951	3,456,357	92,788,308	1,002,845	93,791,153
EXPENDITURES:					
State programs ⁽¹⁾	48,599,032	(1,964,638)	46,634,394	12,897	46,647,291
Federal programs	41,213,236	3,303,857	44,517,093	—	44,517,093
TOTAL EXPENDITURES	89,812,268	1,339,219	91,151,487	12,897	91,164,384
REVENUES OVER/(UNDER) EXPENDITURES	(480,317)	2,117,138	1,636,821	989,948	2,626,769
OTHER FINANCING SOURCES (USES):					
Prior year lapses	—	795,929	795,929	14,071	810,000
Transfer to Budget Stabilization Reserve Fund	—	—	—	(898,319)	(898,319)
TOTAL OTHER FINANCING SOURCES (USES)	—	795,929	795,929	(884,248)	(88,319)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(480,317)	2,913,067	2,432,750	105,700	2,538,450
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2022, REVISED	5,537,421	4,000	5,541,421	5,000	5,546,421
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2023	\$ 5,057,104	\$ 2,917,067	\$ 7,974,171	\$ 110,700	\$ 8,084,871

(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, 2023

(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	\$ 1,813,200	\$ (29,400)	\$ 1,783,800	\$ (8,996)	\$ 1,774,804
Motor licenses and fees	1,095,300	17,900	1,113,200	4,586	1,117,786
Other Motor License Fund revenues ⁽¹⁾	7,600	36,500	44,100	21,620	65,720
TOTAL REVENUE STATE	2,916,100	25,000	2,941,100	17,210	2,958,310
plus: Departmental services ⁽¹⁾	102,121	—	102,121	(18,918)	83,203
TOTAL STATE PROGRAMS	3,018,221	25,000	3,043,221	(1,708)	3,041,513
Federal programs	2,630,748	—	2,630,748	(924,811)	1,705,937
TOTAL REVENUES	5,648,969	25,000	5,673,969	(926,519)	4,747,450
EXPENDITURES:					
State Programs ⁽²⁾	3,253,014	191	3,253,205	(18,918)	3,234,287
Federal programs	2,630,748	—	2,630,748	(924,811)	1,705,937
TOTAL EXPENDITURES	5,883,762	191	5,883,953	(943,729)	4,940,224
REVENUES OVER (UNDER) EXPENDITURES	(234,793)	24,809	(209,984)	17,210	(192,774)
OTHER FINANCING SOURCES:					
Prior year lapses	—	94,858	94,858	6,059	100,917
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(234,793)	119,667	(115,126)	23,269	(91,857)
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2022	347,290	—	347,290	—	347,290
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2023	\$ 112,497	\$ 119,667	\$ 232,164	\$ 23,269	\$ 255,433

(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	\$ 2,538,450	\$ —	\$ 2,538,450	\$ (91,857)
Adjustments:				
Basis differences				
To adjust revenues, other financing sources and related receivables and unearned revenue	507,316	—	507,316	2,370,120
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	(664,863)	—	(664,863)	(1,970,202)
Basis difference adjustments	(157,547)	—	(157,547)	399,918
Perspective differences				
Nonbudgeted statutory funds which are financially reported as part of this fund:				
Revenues	—	783,315	783,315	538
Expenditures	—	1,638,911	1,638,911	(389)
Perspective difference adjustments	—	2,422,226	2,422,226	149
Net adjustments	(157,547)	2,422,226	2,264,679	400,067
Modified accrual basis- net change in governmental fund balance .	<u>\$ 2,380,903</u>	<u>\$ 2,422,226</u>	<u>\$ 4,803,129</u>	<u>\$ 308,210</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 \$(1,964,638) of appropriation increases approved for the fiscal year ended June 30, 2023.

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, 2023.

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, 2023

Combining Financial Statements

Including
Nonmajor Budgetary Comparison Schedules

Commonwealth of Pennsylvania
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

(Amounts in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS				
Cash	\$ 31,409	\$ —	\$ —	\$ 31,409
Cash with fiscal agents	1,111	—	—	1,111
Temporary investments	5,267,049	30,095	502,785	5,799,929
Long-term investments	3,267,839	—	184,461	3,452,300
Receivables (net):				
Taxes	—	—	32,888	32,888
Accounts	266,759	—	—	266,759
Investment earnings	26,452	178	2,217	28,847
Investment sale proceeds	5,171	—	—	5,171
Lease rentals	265	—	—	265
Due from other funds	156,098	—	34,611	190,709
Due from component units	21,084	140	—	21,224
Due from Federal Government	62,102	—	—	62,102
Advances to other funds	16,500	—	—	16,500
TOTAL ASSETS	<u>\$ 9,121,839</u>	<u>\$ 30,413</u>	<u>\$ 756,962</u>	<u>\$ 9,909,214</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 419,348	\$ —	\$ 80,292	\$ 499,640
Investment purchases payable	12,085	—	—	12,085
Securities lending obligations	117,414	—	9,306	126,720
Due to other funds	337,410	—	8,964	346,374
Due to component units	4,364	—	—	4,364
Due to pension trust funds	2,838	—	10	2,848
Due to political subdivisions	188,533	—	40,837	229,370
Due to other governments	654	—	4	658
Unearned revenue	96,774	—	—	96,774
Advances from other funds	16,500	—	—	16,500
TOTAL LIABILITIES	<u>1,195,920</u>	<u>—</u>	<u>139,413</u>	<u>1,335,333</u>
Deferred inflows of resources:				
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>178,105</u>	<u>—</u>	<u>—</u>	<u>178,105</u>
Fund balances:				
Restricted	7,613,248	—	—	7,613,248
Committed	147,710	30,413	617,549	795,672
Unassigned deficit	(13,144)	—	—	(13,144)
TOTAL FUND BALANCES	<u>7,747,814</u>	<u>30,413</u>	<u>617,549</u>	<u>8,395,776</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 9,121,839</u>	<u>\$ 30,413</u>	<u>\$ 756,962</u>	<u>\$ 9,909,214</u>

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

For the Fiscal Year Ended June 30, 2023

(Amounts in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Taxes	\$ 3,746,634	\$ —	\$ 413,601	\$ 4,160,235
Licenses and fees	1,470,202	—	—	1,470,202
Intergovernmental	614,946	8,595	—	623,541
Charges for sales and services	814,097	—	—	814,097
Investment earnings	281,736	1,044	35,252	318,032
Interest on notes and loans	6	—	—	6
Other	261,170	13,506	—	274,676
TOTAL REVENUES	7,188,791	23,145	448,853	7,660,789
EXPENDITURES:				
Current:				
Direction and supportive services	416,438	—	98,826	515,264
Protection of persons and property	1,182,770	—	—	1,182,770
Health and human services	667,682	—	—	667,682
Public education	778,449	—	32,830	811,279
Recreation and cultural enrichment	298,911	—	60,393	359,304
Economic development	633,190	—	166,799	799,989
Transportation	1,446,685	—	408,399	1,855,084
Capital outlay	138,095	—	366,929	505,024
Debt service:				
Principal retirement	—	866,275	—	866,275
Interest and fiscal charges	893	456,546	2,336	459,775
TOTAL EXPENDITURES	5,563,113	1,322,821	1,136,512	8,022,446
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	1,625,678	(1,299,676)	(687,659)	(361,657)
OTHER FINANCING SOURCES (USES):				
Bonds issued	—	—	1,000,000	1,000,000
Premium on bonds/refunding bonds	—	—	99,652	99,652
Discount on bonds issued	—	—	(1,250)	(1,250)
Transfers in	367,622	1,311,558	49,891	1,729,071
Transfers out	(1,001,389)	—	(85,432)	(1,086,821)
Right-to-use and installment purchases	7,873	—	889	8,762
NET OTHER FINANCING SOURCES (USES)	(625,894)	1,311,558	1,063,750	1,749,414
NET CHANGE IN FUND BALANCES	999,784	11,882	376,091	1,387,757
FUND BALANCES, July 1, 2022	6,748,030	18,531	241,458	7,008,019
FUND BALANCES, June 30, 2023	\$ 7,747,814	\$ 30,413	\$ 617,549	\$ 8,395,776

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

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, 2023

(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	\$ 4	\$ 295	\$ —	\$ 1,146	\$ 39	\$ 17,336	\$ 6,504	\$ 6,085	\$ 31,409
Cash with fiscal agents	—	—	—	—	—	—	—	1,111	1,111
Temporary investments	54,282	4,097	104,875	55,858	168,203	1,253,746	1,716,660	1,909,328	5,267,049
Long-term investments	25,657	—	—	1,090,927	—	699,241	—	1,452,014	3,267,839
Receivables (net):									
Accounts	12,291	—	2	—	177,835	—	—	76,631	266,759
Investment earnings	224	15	—	5,620	—	5,002	6,920	8,671	26,452
Investment sale proceeds	—	—	—	4,179	—	—	—	992	5,171
Lease rentals	—	—	—	—	—	—	—	265	265
Due from other funds	3	—	48	—	1	113,469	4,427	38,150	156,098
Due from component units	—	—	—	—	—	—	21,084	—	21,084
Due from Federal Government	—	—	—	—	38,908	—	—	23,194	62,102
Advances to other funds	—	—	16,500	—	—	—	—	—	16,500
TOTAL ASSETS	<u>\$ 92,461</u>	<u>\$ 4,407</u>	<u>\$ 121,425</u>	<u>\$ 1,157,730</u>	<u>\$ 384,986</u>	<u>\$ 2,088,794</u>	<u>\$ 1,755,595</u>	<u>\$ 3,516,441</u>	<u>\$ 9,121,839</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued liabilities	\$ 707	\$ 399	\$ 2,900	\$ 3,245	\$ 102,997	\$ 114,237	\$ 35,397	\$ 159,466	\$ 419,348
Investment purchases payable	—	—	—	11,133	—	—	—	952	12,085
Securities lending obligations	1,294	—	—	22,283	—	35,278	—	58,559	117,414
Due to other funds	17	9	168	59	17,313	8,175	189,018	122,651	337,410
Due to component units	—	—	—	—	—	—	—	4,364	4,364
Due to pension trust funds	123	8	321	2	5	11	514	1,854	2,838
Due to political subdivisions	—	—	—	—	991	50,565	49,588	87,389	188,533
Due to other governments	27	2	68	—	1	3	84	469	654
Unearned revenue	—	1,461	—	—	—	—	64,250	31,063	96,774
Advances from other funds	—	—	—	—	—	—	—	16,500	16,500
TOTAL LIABILITIES	<u>2,168</u>	<u>1,879</u>	<u>3,457</u>	<u>36,722</u>	<u>121,307</u>	<u>208,269</u>	<u>338,851</u>	<u>483,267</u>	<u>1,195,920</u>
Deferred inflows of resources:									
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>177,836</u>	<u>—</u>	<u>—</u>	<u>269</u>	<u>178,105</u>
Fund balances:									
Restricted	90,293	2,528	117,968	1,121,008	—	1,880,525	1,416,744	2,984,182	7,613,248
Committed	—	—	—	—	85,843	—	—	61,867	147,710
Unassigned deficit	—	—	—	—	—	—	—	(13,144)	(13,144)
TOTAL FUND BALANCES	<u>90,293</u>	<u>2,528</u>	<u>117,968</u>	<u>1,121,008</u>	<u>85,843</u>	<u>1,880,525</u>	<u>1,416,744</u>	<u>3,032,905</u>	<u>7,747,814</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 92,461</u>	<u>\$ 4,407</u>	<u>\$ 121,425</u>	<u>\$ 1,157,730</u>	<u>\$ 384,986</u>	<u>\$ 2,088,794</u>	<u>\$ 1,755,595</u>	<u>\$ 3,516,441</u>	<u>\$ 9,121,839</u>

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, 2023

(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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,161,582	\$ 1,983,240	\$ 601,812	\$ 3,746,634
Licenses and fees	10,468	2,771	—	4,847	—	302,652	86,806	1,062,658	1,470,202
Intergovernmental	—	—	—	—	193,486	60,335	6,983	354,142	614,946
Charges for sales and services	25,353	—	68,801	—	7,093	1,893	—	710,957	814,097
Investment earnings	2,876	132	3,529	55,158	4,967	50,171	46,970	117,933	281,736
Interest on notes and loans	—	—	—	—	—	—	—	6	6
Other	2	—	107	9	239,786	—	—	21,266	261,170
TOTAL REVENUES	38,699	2,903	72,437	60,014	445,332	1,576,633	2,123,999	2,868,774	7,188,791
EXPENDITURES:									
Current:									
Direction and supportive services	—	—	—	—	—	—	415,388	1,050	416,438
Protection of persons and property	19,732	2,621	—	22,843	—	—	13,957	1,123,617	1,182,770
Health and human services	—	—	68,242	—	522,765	—	6,361	70,314	667,682
Public education	—	—	—	—	—	—	778,249	200	778,449
Recreation and cultural enrichment	—	—	—	—	—	—	10,513	288,398	298,911
Economic development	—	—	229	—	2,251	—	26,607	604,103	633,190
Transportation	—	—	—	—	—	1,377,101	—	69,584	1,446,685
Capital outlay	—	—	603	—	—	63,644	162	73,686	138,095
Interest and fiscal charges	218	—	345	—	—	—	18	312	893
TOTAL EXPENDITURES	19,950	2,621	69,419	22,843	525,016	1,440,745	1,251,255	2,231,264	5,563,113
EXCESS (DEFICIENCY) OF REVENUES									
OVER (UNDER) EXPENDITURES	18,749	282	3,018	37,171	(79,684)	135,888	872,744	637,510	1,625,678
OTHER FINANCING SOURCES (USES):									
Transfers in	—	—	2,802	—	115,338	120,383	—	129,099	367,622
Transfers out	—	—	—	—	—	—	(742,054)	(259,335)	(1,001,389)
Leases and installment purchases	—	—	521	—	—	3,551	162	3,639	7,873
NET OTHER FINANCING SOURCES (USES)	—	—	3,323	—	115,338	123,934	(741,892)	(126,597)	(625,894)
NET CHANGE IN FUND BALANCES	18,749	282	6,341	37,171	35,654	259,822	130,852	510,913	999,784
FUND BALANCES, JULY 1, 2022	71,544	2,246	111,627	1,083,837	50,189	1,620,703	1,285,892	2,521,992	6,748,030
FUND BALANCES, JUNE 30, 2023	\$ 90,293	\$ 2,528	\$ 117,968	\$ 1,121,008	\$ 85,843	\$ 1,880,525	\$ 1,416,744	\$ 3,032,905	\$ 7,747,814

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Nonmajor Funds
 Special Revenue Fund-Banking
 For the Fiscal Year Ended June 30, 2023

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Licenses and fees	\$ 30,126	\$ 3,915	\$ 34,041	\$ 481	\$ 34,522
Fines, penalties and interest	400	400	800	67	867
Investment earnings	400	800	1,200	1,171	2,371
TOTAL REVENUES	30,926	5,115	36,041	1,719	37,760
EXPENDITURES:					
State Programs:					
General Government Operations	23,413	—	23,413	—	23,413
Transfer to Institution Resolution Account	3,000	2,000	5,000	—	5,000
TOTAL EXPENDITURES	26,413	2,000	28,413	—	28,413
REVENUES OVER (UNDER) EXPENDITURES	4,513	3,115	7,628	1,719	9,347
OTHER FINANCING SOURCES:					
Prior year lapses	—	4,511	4,511	—	4,511
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	4,513	7,626	12,139	1,719	13,858
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2022	27,504	—	27,504	—	27,504
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2023	\$ 32,017	\$ 7,626	\$ 39,643	\$ 1,719	\$ 41,362

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)	\$ 13,858
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue	(3,571)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	8,462
Net adjustments	4,891
Modified accrual basis — net change in governmental fund balance	\$ 18,749

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, 2023

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Licenses and fees	\$ 2,761	\$ —	\$ 2,761	\$ (9)	\$ 2,752
Fines, penalties and interest	5	—	5	14	19
Investment earnings	2	70	72	47	119
TOTAL REVENUES	<u>2,768</u>	<u>70</u>	<u>2,838</u>	<u>52</u>	<u>2,890</u>
EXPENDITURES:					
State programs:					
General Operations	2,840	—	2,840	—	2,840
REVENUES OVER (UNDER) EXPENDITURES	<u>(72)</u>	<u>70</u>	<u>(2)</u>	<u>52</u>	<u>50</u>
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2022	1,118	—	1,118	—	1,118
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2023	<u>\$ 1,046</u>	<u>\$ 70</u>	<u>\$ 1,116</u>	<u>\$ 52</u>	<u>\$ 1,168</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>\$ 50</u>
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue	13
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	<u>219</u>
Net adjustments	<u>232</u>
Modified accrual basis — net change in governmental fund balance	<u>\$ 282</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, 2023

(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	\$ 66,500	\$ 8,410	\$ 74,910	\$ (2,061)	\$ 72,849
Fines, penalties and interest	5	—	5	—	5
Departmental Services	300	—	300	(30)	270
Miscellaneous	340	—	340	(248)	92
TOTAL REVENUES	<u>67,145</u>	<u>8,410</u>	<u>75,555</u>	<u>(2,339)</u>	<u>73,216</u>
EXPENDITURES:					
State programs:					
Administration of Workers' Compensation	76,102	—	76,102	(30)	76,072
REVENUES OVER (UNDER) EXPENDITURES	<u>(8,957)</u>	<u>8,410</u>	<u>(547)</u>	<u>(2,309)</u>	<u>(2,856)</u>
OTHER FINANCING SOURCES:					
Prior year lapses	—	7,104	7,104	—	7,104
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(8,957)</u>	<u>15,514</u>	<u>6,557</u>	<u>(2,309)</u>	<u>4,248</u>
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2022	75,282	—	75,282	—	75,282
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2023	<u>\$ 66,325</u>	<u>\$ 15,514</u>	<u>\$ 81,839</u>	<u>\$ (2,309)</u>	<u>\$ 79,530</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 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>\$ 4,248</u>
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue	(4,560)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	<u>6,653</u>
Net adjustments	<u>2,093</u>
Modified accrual basis — net change in governmental fund balance	<u>\$ 6,341</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, 2023

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, 2023

(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.....	\$ 22,728	\$ 7,200	\$ 6	\$ 4	\$ —	\$ 157	\$ 30,095
Receivables (net):							
Investment earnings.....	95	82	—	—	—	1	178
Due from component units.....	140	—	—	—	—	—	140
TOTAL ASSETS	\$ 22,963	\$ 7,282	\$ 6	\$ 4	\$ —	\$ 158	\$ 30,413
Fund balances:							
Committed.....	22,963	7,282	6	4	—	158	30,413
TOTAL FUND BALANCES	22,963	7,282	6	4	—	158	30,413
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,963	\$ 7,282	\$ 6	\$ 4	\$ —	\$ 158	\$ 30,413

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, 2023

(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.....	\$ 640	\$ 7,955	\$ —	\$ —	\$ —	\$ —	\$ 8,595
Investment earnings.....	800	226	—	12	—	6	1,044
Other.....	13,506	—	—	—	—	—	13,506
TOTAL REVENUES	14,946	8,181	—	12	—	6	23,145
EXPENDITURES:							
Debt service:							
Principal retirement.....	3,870	851,079	7,541	2,105	1,680	—	866,275
Interest and fiscal charges.....	1,638	447,470	4,776	1,660	1,002	—	456,546
TOTAL EXPENDITURES	5,508	1,298,549	12,317	3,765	2,682	—	1,322,821
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,438	(1,290,368)	(12,317)	(3,753)	(2,682)	6	(1,299,676)
OTHER FINANCING SOURCES (USES):							
Transfers in.....	—	1,293,332	12,317	3,227	2,682	—	1,311,558
NET CHANGE IN FUND BALANCES	9,438	2,964	—	(526)	—	6	11,882
FUND BALANCES, JULY 1, 2022	13,525	4,318	6	530	—	152	18,531
FUND BALANCES, JUNE 30, 2023	\$ 22,963	\$ 7,282	\$ 6	\$ 4	\$ —	\$ 158	\$ 30,413



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

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, 2023. 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, 2023

(Amounts in thousands)

	Capital Facilities	Keystone Recreation, Park and Conservation	Growing Greener Bond	Water Supply and Wastewater Treatment	Public Transportation Assistance	Total
ASSETS						
Temporary investments	\$ 353,757	\$ 116,080	\$ 823	\$ 20,077	\$ 12,048	\$ 502,785
Long-term investments	—	184,461	—	—	—	184,461
Receivables (net):						
Taxes	—	—	—	—	32,888	32,888
Investment earnings	1,605	453	3	83	73	2,217
Due from other funds	319	21,832	—	—	12,460	34,611
TOTAL ASSETS	\$ 355,681	\$ 322,826	\$ 826	\$ 20,160	\$ 57,469	\$ 756,962
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 70,425	\$ 9,867	\$ —	\$ —	\$ —	\$ 80,292
Securities lending obligations	—	9,306	—	—	—	9,306
Due to other funds	4,787	4,176	—	—	1	8,964
Due to pension trust funds	—	10	—	—	—	10
Due to political subdivisions	26,512	3,489	—	—	10,836	40,837
Due to other governments	—	4	—	—	—	4
TOTAL LIABILITIES	101,724	26,852	—	—	10,837	139,413
Fund balances:						
Committed	253,957	295,974	826	20,160	46,632	617,549
TOTAL LIABILITIES AND FUND BALANCES	\$ 355,681	\$ 322,826	\$ 826	\$ 20,160	\$ 57,469	\$ 756,962

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, 2023

(Amounts in thousands)

	Capital Facilities	Keystone Recreation, Park and Conservation	Growing Greener Bond	Water Supply and Wastewater Treatment	Public Transportation Assistance	Total
REVENUES:						
Taxes	\$ —	\$ 131,891	\$ —	\$ —	\$ 281,710	\$ 413,601
Charges for sales and services	—	—	—	—	—	—
Investment earnings	23,073	10,413	30	740	996	35,252
TOTAL REVENUES	23,073	142,304	30	740	282,706	448,853
EXPENDITURES:						
Current:						
Direction and supportive services	98,826	—	—	—	—	98,826
Public education	—	32,830	—	—	—	32,830
Recreation and cultural enrichment	—	60,393	—	—	—	60,393
Economic development	166,799	—	—	—	—	166,799
Transportation	150,906	—	—	—	257,493	408,399
Capital outlay	352,019	14,910	—	—	—	366,929
Debt service:						
Interest and fiscal charges	2,326	10	—	—	—	2,336
TOTAL EXPENDITURES	770,876	108,143	—	—	257,493	1,136,512
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	(747,803)	34,161	30	740	25,213	(687,659)
OTHER FINANCING SOURCES (USES):						
Bonds issued	1,000,000	—	—	—	—	1,000,000
Premium on bonds issued	99,652	—	—	—	—	99,652
Discount on bonds issued	(1,250)	—	—	—	—	(1,250)
Transfers in	49,891	—	—	—	—	49,891
Transfers out	(44,651)	(16,305)	—	—	(24,476)	(85,432)
Leases and installment purchases	—	889	—	—	—	889
NET OTHER FINANCING SOURCES (USES)	1,103,642	(15,416)	—	—	(24,476)	1,063,750
NET CHANGE IN FUND BALANCES	355,839	18,745	30	740	737	376,091
FUND BALANCES, JULY 1, 2022	(101,882)	277,229	796	19,420	45,895	241,458
FUND BALANCES, JUNE 30, 2023	\$ 253,957	\$ 295,974	\$ 826	\$ 20,160	\$ 46,632	\$ 617,549



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

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, 2023

(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	\$ 154	\$ 62	\$ 4	\$ 232	\$ 32,927	\$ 12	\$ 33,391
Cash with fiscal agents	—	—	—	1	—	—	1
Temporary investments	24,446	28,879	19,788	7,300	37,019	13,566	130,998
Receivables (net):							
Accounts	—	—	1	37	4,980	7	5,025
Investment earnings	92	92	77	40	—	57	358
Interest on loans	100	—	727	—	—	59	886
Loans	9,742	—	15,405	—	—	1,156	26,303
Lease rentals	—	—	—	—	11,167	—	11,167
Other	—	—	—	—	2	—	2
Due from other funds	—	—	—	5,996	4,787	24	10,807
Due from Federal Government	—	—	—	—	—	1	1
Due from other governments	—	—	—	—	49	—	49
Advances to other funds	—	—	2,539	—	—	—	2,539
Inventory	—	—	—	—	—	4	4
Prepaid expenses	—	—	—	—	1,331	—	1,331
Total current assets	34,534	29,033	38,541	13,606	92,262	14,886	222,862
Noncurrent assets:							
Restricted cash	—	—	—	—	317	—	317
Long-term investments	44,109	140,548	28,591	—	—	—	213,248
Receivables:							
Loans	54,549	—	66,016	—	—	3,579	124,144
Lease rentals	—	—	—	—	116,070	—	116,070
Non-depreciable capital assets:							
Land	—	—	—	—	243,981	—	243,981
Construction in progress	—	—	—	—	9,059	—	9,059
Depreciable or amortizable capital assets:							
Land improvements	—	—	—	—	175,500	—	175,500
Buildings and building improvements	—	—	—	34,135	551,529	—	585,664
Machinery and equipment	—	296	—	5,166	71,586	1,854	78,902
Intangible right-to-use assets	—	—	—	—	243	—	243
Less: accumulated depreciation and amortization	—	(162)	—	(30,736)	(360,132)	(1,819)	(392,849)
Net depreciable or amortizable capital assets	—	134	—	8,565	438,726	35	447,460
Other assets	—	—	—	—	4,881	—	4,881
Total noncurrent assets	98,658	140,682	94,607	8,565	813,034	3,614	1,159,160
TOTAL ASSETS	\$ 133,192	\$ 169,715	\$ 133,148	\$ 22,171	\$ 905,296	\$ 18,500	\$ 1,382,022

Commonwealth of Pennsylvania
Combining Statement of Net Position
Nonmajor Proprietary Funds
Enterprise Funds
June 30, 2023

(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	\$ —	\$ 2,178	\$ —	\$ 15,384	\$ 5,776	\$ 501	\$ 23,839
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	—	141	—	1,736	9,363	345	11,585
Securities lending obligations	2,225	7,091	1,442	—	—	—	10,758
Due to other funds	—	13	—	124	13	39	189
Due to pension trust funds	—	18	—	121	58	1	198
Due to political subdivisions	—	—	—	56	—	—	56
Due to other governments	—	4	—	28	—	—	32
Unearned revenue	—	1,976	—	—	—	—	1,976
Self-insurance liabilities	—	7	—	55	51	1	114
Compensated absences	—	79	—	247	175	—	501
Other postemployment benefit liability	—	—	—	—	238	—	238
Right-to-use liability	—	—	—	—	11	—	11
Other liabilities	—	—	—	—	9	—	9
Total current liabilities	2,225	9,329	1,442	2,367	9,918	386	25,667
Noncurrent liabilities:							
Insurance loss liability	—	397	—	—	—	—	397
Compensated absences	—	338	—	1,052	746	—	2,136
Self-insurance liabilities	—	61	—	494	456	11	1,022
Other postemployment benefit liability	—	2,684	—	19,844	5,663	334	28,525
Net pension liability	—	4,222	—	28,630	13,216	623	46,691
Other liabilities	—	—	—	—	315	—	315
Total noncurrent liabilities	—	7,702	—	50,020	20,396	968	79,086
TOTAL LIABILITIES	2,225	17,031	1,442	52,387	30,314	1,354	104,753
DEFERRED INFLOWS OF RESOURCES							
TOTAL DEFERRED INFLOWS OF RESOURCES	—	2,042	—	13,752	132,103	2,000	149,897
NET POSITION							
Net investment in capital assets	—	134	—	8,565	691,755	35	700,489
Restricted for:							
Transportation	—	—	131,706	—	—	—	131,706
Capital projects	—	—	—	—	23,818	—	23,818
Economic development	—	—	—	—	33,080	6,192	39,272
Emergency support	130,967	—	—	—	—	—	130,967
Other purposes	—	152,686	—	—	2	9,420	162,108
Unrestricted	—	—	—	(37,149)	—	—	(37,149)
TOTAL NET POSITION (DEFICIT)	\$ 130,967	\$ 152,820	\$ 131,706	\$ (28,584)	\$ 748,655	\$ 15,647	\$ 1,151,211

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, 2023

(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	\$ —	\$ 4,084	\$ 13	\$ 38,186	\$ 15,756	\$ 1,644	\$ 59,683
Interest on loans	1,326	—	1,484	—	—	77	2,887
Other	—	—	—	185	352	238	775
OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS							
	1,326	4,084	1,497	38,371	16,108	1,959	63,345
Provision for uncollectible accounts	(175)	—	353	—	—	(406)	(228)
NET OPERATING REVENUES	1,151	4,084	1,850	38,371	16,108	1,553	63,117
OPERATING EXPENSES:							
Cost of sales and services	600	5,213	4,160	32,165	15,204	1,368	58,710
Depreciation	—	18	—	485	35,445	7	35,955
Other	—	—	—	—	4,680	—	4,680
TOTAL OPERATING EXPENSES	600	5,231	4,160	32,650	55,329	1,375	99,345
OPERATING INCOME (LOSS)	551	(1,147)	(2,310)	5,721	(39,221)	178	(36,228)
NONOPERATING REVENUES (EXPENSES):							
Investment earnings	2,276	5,795	1,675	272	967	510	11,495
Interest expense	—	—	—	—	(2)	—	(2)
Grants and other revenues	—	—	—	1,034	42,423	26	43,483
Other expenses	—	—	—	—	(2,233)	—	(2,233)
TOTAL NONOPERATING REVENUES (EXPENSES)	2,276	5,795	1,675	1,306	41,155	536	52,743
INCOME (LOSS) BEFORE TRANSFERS	2,827	4,648	(635)	7,027	1,934	714	16,515
TRANSFERS AND CONTRIBUTIONS:							
Capital contributions	—	—	—	—	386	—	386
Transfers in	—	—	—	—	21,861	1	21,862
TRANSFERS AND CONTRIBUTIONS, NET	—	—	—	—	22,247	1	22,248
CHANGE IN NET POSITION	2,827	4,648	(635)	7,027	24,181	715	38,763
TOTAL NET POSITION (DEFICIT), JULY 1, 2022	128,140	148,172	132,341	(35,611)	724,474	14,932	1,112,448
TOTAL NET POSITION (DEFICIT), JUNE 30, 2023	\$ 130,967	\$ 152,820	\$ 131,706	\$ (28,584)	\$ 748,655	\$ 15,647	\$ 1,151,211

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Commonwealth of Pennsylvania
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Enterprise Funds

For the Fiscal Year Ended June 30, 2023

(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	\$ —	\$ —	\$ —	\$ 38,202	\$ 12,375	\$ 1,620	\$ 52,197
Receipts from borrowers for fees and loan repayments	10,932	—	17,864	—	—	844	29,640
Receipt of premiums	—	4,315	—	—	—	—	4,315
Payments to borrowers	(5,527)	—	(11,325)	—	—	(534)	(17,386)
Payments for vendors, employees and other costs	(600)	(5,742)	(4,160)	(40,937)	(15,903)	(2,080)	(69,422)
Other receipts	—	—	—	185	—	236	421
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	4,805	(1,427)	2,379	(2,550)	(3,528)	86	(235)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:							
Net advances from (to) other funds	—	—	363	—	—	—	363
Transfers in	—	—	—	—	46	1	47
Grants and other revenues	—	—	—	1,197	167	26	1,390
Bond issuance costs	—	—	—	—	(2,233)	—	(2,233)
Right-to-use lease interest	—	—	—	—	7,285	—	7,285
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	—	—	363	1,197	5,265	27	6,852
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	—	(59)	—	(1,092)	11,894	—	10,743
Principal paid on capital financing	—	—	—	—	(65)	—	(65)
Interest paid on capital financing	—	—	—	—	(2)	—	(2)
Transfers in	—	—	—	—	23,199	—	23,199
Capital contributions	—	—	—	—	386	—	386
Maintenance payments	—	—	—	—	(325)	—	(325)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	—	(59)	—	(1,092)	35,087	—	33,936
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchase of investments	(12,736)	(6,987)	(18,086)	(34,698)	(29,886)	(3,771)	(106,164)
Sales and maturities of investments	6,025	4,089	13,925	37,134	8,119	3,161	72,453
Investment earnings	1,766	4,415	1,316	239	967	464	9,167
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(4,945)	1,517	(2,845)	2,675	(20,800)	(146)	(24,544)
NET INCREASE (DECREASE) IN CASH	(140)	31	(103)	230	16,024	(33)	16,009
CASH AT JULY 1, 2022	294	31	107	3	17,220	45	17,700
CASH AT JUNE 30, 2023 (including \$317 in restricted assets)	\$ 154	\$ 62	\$ 4	\$ 233	\$ 33,244	\$ 12	\$ 33,709

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET

Commonwealth of Pennsylvania
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Enterprise Funds

For the Fiscal Year Ended June 30, 2023

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES							
Operating income (loss)	\$ 551	\$ (1,147)	\$ (2,310)	\$ 5,721	\$ (39,221)	\$ 178	(36,228)
Depreciation and amortization of capital assets	—	18	—	485	35,445	7	35,955
Amortization of other assets	—	—	—	—	4,680	—	4,680
Provision for uncollectible accounts	175	—	(353)	—	—	406	228
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:							
Accounts receivable	—	—	2	16	—	12	30
Interest on loans receivable	47	—	131	—	—	(11)	167
Loans receivable	4,073	—	8,454	—	—	224	12,751
Lease rental receivable	—	—	—	—	(3,745)	—	(3,745)
Due from other funds	—	—	—	(3,761)	—	(18)	(3,779)
Due from other governments	—	—	—	—	11	—	11
Other current and noncurrent assets	—	—	—	—	(185)	—	(185)
Deferred outflows	—	(560)	—	(4,082)	(1,331)	59	(5,914)
Accounts payable and accrued liabilities	—	(12)	(3,545)	(717)	411	(122)	(3,985)
Due to other funds	—	7	—	(118)	—	29	(82)
Due to pension trust funds	—	5	—	24	—	(2)	27
Due to component units	—	(35)	—	—	—	—	(35)
Due to political subdivisions	—	—	—	23	—	—	23
Due to other governments	—	1	—	5	—	(1)	5
Unearned revenue	(41)	231	—	—	—	—	190
Self-insurance liabilities	—	(13)	—	(5)	—	(6)	(24)
Compensated absences	—	71	—	(111)	(56)	—	(96)
Insurance loss liability	—	105	—	—	—	—	105
Other postemployment benefit liability	—	82	—	(236)	(305)	(30)	(489)
Net pension liability	—	1,361	—	10,465	5,026	170	17,022
Other current and noncurrent liabilities	—	—	—	—	3	—	3
Deferred inflows	—	(1,541)	—	(10,259)	(4,261)	(809)	(16,870)
Total Adjustments	4,254	(280)	4,689	(8,271)	35,693	(92)	35,993
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 4,805	\$ (1,427)	\$ 2,379	\$ (2,550)	\$ (3,528)	\$ 86	\$ (235)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:							
Increase (decrease) in fair value of investments during the fiscal year	\$ 436	\$ 1,312	\$ 299	\$ —	\$ —	\$ —	2,047
Decrease in investment earnings receivable	74	68	61	33	—	47	283
Increase (decrease) in investments from changes in securities lending obligations	616	1,681	458	—	—	—	2,755
Disposals of capital assets	—	—	—	—	(18,628)	—	(18,628)
Transfers from other funds (accruals)	—	—	—	—	23,593	—	23,593

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, 2023

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, 2023

(Amounts in thousands)

	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 1,313	\$ 542	\$ 1,855
Temporary investments	8,073	17,602	25,675
Receivables (net):			
Accounts	9	447	456
Investment earnings	33	66	99
Due from other funds	34,047	3,196	37,243
Due from pension trust funds	44	4,970	5,014
Due from component units	73	1	74
Due from political subdivisions	—	67	67
Inventory	81	23,373	23,454
Total current assets	<u>43,673</u>	<u>50,264</u>	<u>93,937</u>
Noncurrent assets:			
Long-term investments	—	23,349	23,349
Depreciable capital assets:			
Land improvements	192	—	192
Buildings and building improvements	153	6,273	6,426
Machinery and equipment	134,873	44,155	179,028
Intangible right-to-use assets	313,677	—	313,677
Less: accumulated depreciation	(139,732)	(34,340)	(174,072)
Net depreciable capital assets	<u>309,163</u>	<u>16,088</u>	<u>325,251</u>
Total noncurrent assets	<u>309,163</u>	<u>39,437</u>	<u>348,600</u>
TOTAL ASSETS	<u>352,836</u>	<u>89,701</u>	<u>442,537</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>11,275</u>	<u>17,999</u>	<u>29,274</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	57,518	6,626	64,144
Securities lending obligations	—	1,178	1,178
Due to other funds	4,608	445	5,053
Due to pension trust funds	52	98	150
Due to component units	3	—	3
Due to political subdivisions	—	4	4
Due to other governments	10	20	30
Self-insurance liabilities	96	244	340
Compensated absences	178	432	610
Installment purchase liability	221	—	221
Right-to-use liability	8,619	—	8,619
Total current liabilities	<u>71,305</u>	<u>9,047</u>	<u>80,352</u>
Noncurrent liabilities:			
Compensated absences	759	1,842	2,601
Self-insurance liabilities	870	2,202	3,072
Other postemployment benefit liability	16,332	19,911	36,243
Net pension liability	21,664	45,829	67,493
Installment purchase liability	710	—	710
Right-to-use liability	282,029	—	282,029
Total noncurrent liabilities	<u>322,364</u>	<u>69,784</u>	<u>392,148</u>
TOTAL LIABILITIES	<u>393,669</u>	<u>78,831</u>	<u>472,500</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>9,346</u>	<u>12,101</u>	<u>21,447</u>
NET POSITION			
Net investment in capital assets	17,584	16,088	33,672
Restricted for:			
Correctional industries and procurement	—	680	680
Unrestricted	(56,488)	—	(56,488)
TOTAL NET POSITION (DEFICIT)	<u>\$ (38,904)</u>	<u>\$ 16,768</u>	<u>\$ (22,136)</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, 2023

(Amounts in thousands)	Purchasing	Manufacturing	Total
OPERATING REVENUES:			
Sales and services	40,378	92,109	132,487
NET OPERATING REVENUES	40,378	92,109	132,487
OPERATING EXPENSES:			
Cost of sales and services	14,467	83,815	98,282
Depreciation	26,202	2,247	28,449
TOTAL OPERATING EXPENSES	40,669	86,062	126,731
OPERATING INCOME	(291)	6,047	5,756
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	251	1,512	1,763
Interest expense	(5,163)	—	(5,163)
Other expenses	(28)	—	(28)
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(4,940)	1,512	(3,428)
CHANGE IN NET POSITION	(5,231)	7,559	2,328
TOTAL NET POSITION (DEFICIT), JULY 1, 2022 (restated)	(33,673)	9,209	(24,464)
TOTAL NET POSITION (DEFICIT), JUNE 30, 2023	\$ (38,904)	\$ 16,768	\$ (22,136)

Commonwealth of Pennsylvania
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Internal Service Funds

For the Fiscal Year Ended June 30, 2023

(Amounts in thousands)

	Purchasing	Manufacturing	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 46,918	\$ 81,080	\$ 127,998
Payments for vendors, employees and other costs	(11,179)	(81,420)	(92,599)
Other receipts	242	—	242
NET CASH PROVIDED BY OPERATING ACTIVITIES	35,981	(340)	35,641
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Grants and other revenues	—	1	1
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	—	1	1
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(30,778)	(828)	(31,606)
Proceeds from disposal of capital assets	1,927	—	1,927
Principal paid on capital financing	(7,835)	—	(7,835)
Interest paid on capital financing	(5,163)	—	(5,163)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(41,849)	(828)	(42,677)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(216,786)	(62,193)	(278,979)
Sales and maturities of investments	223,464	62,099	285,563
Investment earnings	229	1,212	1,441
NET CASH USED FOR INVESTING ACTIVITIES	6,907	1,118	8,025
NET DECREASE IN CASH	1,039	(49)	990
CASH AT JULY 1, 2022	274	591	865
CASH AT JUNE 30, 2023	\$ 1,313	\$ 542	\$ 1,855
RECONCILIATION OF OPERATING LOSS TO NET			
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating Income	\$ (291)	\$ 6,047	\$ 5,756
Depreciation and amortization of capital assets	26,202	2,247	28,449
Other adjustments	(1,927)	—	(1,927)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:			
Accounts receivable	386	(181)	205
Due from other funds	(5,191)	43	(5,148)
Due from pension trust funds	807	(235)	572
Due from component units	(6)	1	(5)
Due from political subdivisions	—	(52)	(52)
Due from other governments	—	10	10
Inventory	(26)	(3,806)	(3,832)
Deferred outflows	(1,926)	(6,809)	(8,735)
Accounts payable and accrued liabilities	19,207	460	19,667
Due to other funds	895	(248)	647
Due to pension trust funds	(61)	(154)	(215)
Due to component units	3	—	3
Due to political subdivisions	—	(1)	(1)
Due to other governments	(16)	(30)	(46)
Self insurance liabilities	(38)	(10)	(48)
Compensated absences	(72)	(152)	(224)
Other postemployment benefit liability	(1,395)	(1,377)	(2,772)
Net pension liability	6,401	16,211	22,612
Deferred inflows	(6,971)	(12,304)	(19,275)
Total Adjustments	36,272	(6,387)	29,885
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 35,981	\$ (340)	\$ 35,641
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Decrease in fair value of investments during the fiscal year	\$ —	\$ 252	\$ 252
Decrease in investment earnings receivable	22	47	69
Decrease in investments from changes in securities lending obligations	—	406	406
Disposals of capital assets	(5,760)	—	(5,760)

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, 2023

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, 2023

(Amount in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2022)			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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 324,187	\$ —	\$ —	\$ 324,187
Temporary investments	—	—	—	—	—	—	269,674	50,283	319,957
Long-term investments	—	157	143,863	—	—	—	774,874	144,482	1,063,376
Short-term funds	878,765	8,658	102,317	6,118,812	11,231	205,060	—	—	7,324,843
Corporate obligations	1,113,124	—	—	1,494,012	—	—	—	—	2,607,136
Collective trust funds	5,756,353	98,506	3,752,960	6,567,929	191,535	—	—	—	16,367,283
Real estate	2,850,515	—	—	7,437,732	—	—	—	—	10,288,247
Alternative	7,785,742	—	—	18,163,074	—	—	—	—	25,948,816
Securities lending collateral	189,697	—	—	6,147,770	—	—	—	—	6,337,467
Asset-backed securities	296,596	—	—	242,554	—	—	—	—	539,150
Domestic equities	10,529,095	—	—	11,753,219	—	—	—	—	22,282,314
International equities	810,038	—	—	7,604,593	—	—	—	—	8,414,631
International public debt securities	119,780	—	—	289,365	—	—	—	—	409,145
Mortgage-backed securities	—	—	—	337,345	—	—	—	—	337,345
Private placements	271,927	—	—	—	—	—	—	—	271,927
U.S. Treasury obligations	3,408,374	—	—	10,993,228	—	—	—	—	14,401,602
U.S. government agency debt securities	49,108	—	—	—	—	—	—	—	49,108
Receivables (net):									
Investment earnings	57,612	28	468	335,907	26	1,708	2,071	386	398,206
Pension contributions	—	230	50	1,807,595	908	32,084	—	—	1,840,867
Investment sale proceeds	212,123	—	—	301,559	—	—	—	—	513,682
Other	—	3	57	47	—	45,595	—	—	45,702
Due from other funds	2,914	—	—	15,468	—	336	—	—	18,718
Due from pension trust funds	—	—	—	1,625	—	—	—	—	1,625
Due from component units	15,313	—	—	—	—	—	—	—	15,313
Due from political subdivisions	5,085	—	—	—	—	—	—	—	5,085
Due from other governments	—	—	—	—	—	783	—	—	783
Depreciable or amortizable capital assets:									
Machinery and equipment	—	—	—	13,152	—	—	—	—	13,152
Intangible right-to-use assets	—	—	—	34,564	—	—	—	—	34,564
Other intangible assets	—	—	—	45,264	—	—	—	—	45,264
Less: accumulated depreciation and amortization	—	—	—	(57,100)	—	—	—	—	(57,100)
Net depreciable or amortizable capital assets	—	—	—	35,880	—	—	—	—	35,880
Other assets	23,451	—	1,694	—	—	—	—	—	25,145
TOTAL ASSETS	34,375,612	107,582	4,001,409	79,647,714	203,700	609,753	1,046,619	195,151	120,187,540

Commonwealth of Pennsylvania
Combining Statement of Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds
June 30, 2023

(Amount in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2022)			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			
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 5,167	\$ 3,202	\$ —	\$ 44,659	\$ —	\$ —	\$ —	\$ —	
LIABILITIES									
Accounts payable and accrued liabilities	\$ 52,321	\$ 923	\$ 2,195	\$ 93,480	\$ 203	\$ 2,034	\$ 24,087	\$ 9,554	\$ 184,797
Investment purchases payable	479,819	171	1,901	490,388	1,041	—	—	—	973,320
Securities lending obligations	189,697	—	—	6,147,770	—	—	269,674	50,283	6,657,424
Due to other funds	—	—	—	205	—	—	—	—	205
Due to pension trust funds	—	—	—	2,836	575	571	—	—	3,982
Interest payable	—	—	—	628	—	—	—	—	628
Other postemployment benefit liability	22,941	2,629	—	44,736	—	—	—	—	70,306
Net pension liability	—	—	—	97,252	—	—	—	—	97,252
Right-to-use liability	—	—	—	23,809	—	—	—	—	23,809
Other liabilities	17,440	—	1,694	656,401	—	79,418	—	—	754,953
TOTAL LIABILITIES	762,218	3,723	5,790	7,557,505	1,819	82,023	293,761	59,837	8,766,676
TOTAL DEFERRED INFLOWS OF RESOURCES	11,354	1,270	—	22,538	—	—	—	—	35,162
NET POSITION									
Restricted and held in trust for:									
Pension benefits	33,607,207	105,791	—	72,112,330	201,881	—	—	—	106,027,209
Postemployment healthcare benefits	—	—	—	—	—	527,730	752,858	135,314	1,415,902
Employee salary deferrals	—	—	3,995,619	—	—	—	—	—	3,995,619
TOTAL NET POSITION	\$ 33,607,207	\$ 105,791	\$ 3,995,619	\$ 72,112,330	\$ 201,881	\$ 527,730	\$ 752,858	\$ 135,314	\$ 111,438,730

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, 2023

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2022)			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	\$ 2,074,999	\$ 16,750	\$ —	\$ 5,249,018	\$ 39,328	\$ 180,446	\$ 411,151	\$ 162,500	\$ 8,134,192
Employee	418,589	31,372	177,702	1,174,580	50,676	413,136	—	—	2,266,055
Transfer in from other plans	—	1,288	54,107	—	—	—	50,000	1,000	106,395
Total contributions	2,493,588	49,410	231,809	6,423,598	90,004	593,582	461,151	163,500	10,506,642
Investment earnings:									
Net increase/(decrease) in									
fair value of investments	(5,504,938)	(14,102)	(738,160)	1,315,367	21,437	—	61,303	10,999	(4,848,094)
Interest income	171,411	127	10,788	1,116,518	214	13,635	303	54	1,313,050
Dividend income	196,466	—	—	445,086	158	—	18,778	3,366	663,854
Rental and other income	78,368	—	—	300,455	—	—	949	170	379,942
Total investment activity income (loss)	(5,058,693)	(13,975)	(727,372)	3,177,426	21,809	13,635	81,333	14,589	(2,491,248)
Less: investment expenses									
Investment activity expense	(157,345)	(50)	(1,502)	(405,217)	(275)	(73)	—	—	(564,462)
Net investment earnings (loss)	(5,216,038)	(14,025)	(728,874)	2,772,209	21,534	13,562	81,333	14,589	(3,055,710)
Securities lending activities:									
Income	2,993	—	—	402,300	—	—	—	—	405,293
Expenses	(299)	—	—	(379,213)	—	—	—	—	(379,512)
Total securities lending income	2,694	—	—	23,087	—	—	—	—	25,781
Total net investment earnings	(5,213,344)	(14,025)	(728,874)	2,795,296	21,534	13,562	81,333	14,589	(3,029,929)
TOTAL ADDITIONS	(2,719,756)	35,385	(497,065)	9,218,894	111,538	607,144	542,484	178,089	7,476,713
DEDUCTIONS:									
Benefit payments	3,852,073	—	121,851	7,537,873	—	563,854	404,227	162,680	12,642,558
Refunds of contributions	32,953	—	—	43,110	—	—	—	—	76,063
Transfers to other plans	—	1,116	196,416	—	—	—	—	—	197,532
Administrative expenses	19,026	4,601	1,113	53,823	2,458	40,825	6,680	953	129,479
Other expenses	—	—	5,279	—	—	—	—	—	5,279
Distributions to participants	—	1,886	—	—	6,170	—	—	—	8,056
TOTAL DEDUCTIONS	3,904,052	7,603	324,659	7,634,806	8,628	604,679	410,907	163,633	13,058,967
CHANGE IN PLAN NET POSITION HELD IN TRUST FOR:									
Pension benefits	(6,623,808)	27,782	—	1,584,088	102,910	—	—	—	(4,909,028)
Postemployment healthcare benefits	—	—	—	—	—	2,465	131,577	14,456	148,498
Employee salary deferrals	—	—	(821,724)	—	—	—	—	—	(821,724)
TOTAL CHANGE IN PLAN NET POSITION HELD IN TRUST	(6,623,808)	27,782	(821,724)	1,584,088	102,910	2,465	131,577	14,456	(5,582,254)
NET POSITION, JULY 1, 2022	40,231,015	78,009	4,817,343	70,528,242	98,971	525,265	621,281	120,858	117,020,984
NET POSITION, JUNE 30, 2023	\$ 33,607,207	\$ 105,791	\$ 3,995,619	\$ 72,112,330	\$ 201,881	\$ 527,730	\$ 752,858	\$ 135,314	\$ 111,438,730



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

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, 2023

(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	\$ —	\$ 165	\$ —	\$ 6,249	\$ 115	\$ —	\$ —	\$ 14,641	\$ 21,170
Cash with fiscal agents	14,729	—	—	—	—	—	—	—	14,729
Temporary investments	14,775	33,504	15,233	—	21,024	2,039	2,571	31,430	120,576
Long-term investments	354,850	—	—	4,625,630	—	—	45,601	—	5,026,081
Receivables (net):									
Taxes	—	26,026	—	—	15,340	36,535	—	—	77,901
Accounts	651,174	169	—	996	3	—	—	5,481	657,823
Investment earnings	279	103	62	—	70	6	1	—	521
Other assets	551,228	—	—	—	—	—	—	585	551,813
TOTAL ASSETS	1,587,035	59,967	15,295	4,632,875	36,552	38,580	48,173	52,137	6,470,614
LIABILITIES									
Accounts payable and accrued liabilities	6,608	488	—	2,266	635	42	495	28,628	39,162
Investment purchases payable	—	—	—	1,501	—	—	—	—	1,501
Securities lending obligations	—	—	—	—	—	—	2,301	—	2,301
Due to political subdivisions	—	59,479	15,295	—	35,917	38,538	43	—	149,272
Other liabilities	6,734	—	—	—	—	—	—	—	6,734
TOTAL LIABILITIES	13,342	59,967	15,295	3,767	36,552	38,580	2,839	28,628	198,970
NET POSITION									
Restricted for:									
Tuition Account Investment Program participants	—	—	—	4,629,108	—	—	—	—	4,629,108
Beneficiaries	1,573,693	—	—	—	—	—	45,334	23,509	1,642,536
TOTAL NET POSITION	\$ 1,573,693	\$ —	\$ —	\$ 4,629,108	\$ —	\$ —	\$ 45,334	\$ 23,509	\$ 6,271,644

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

For the Fiscal Year Ended June 30, 2023

(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	\$ (3,790)	\$ —	\$ —	\$ 292,379	\$ —	\$ —	\$ —	\$ —	\$ 288,589
Interest earnings	111,647	790	647	112,446	498	92	1,626	145	227,891
Total investment activity earnings	107,857	790	647	404,825	498	92	1,626	145	516,480
Less investment expenses:									
Investment activity expense	(907)	—	—	—	—	—	—	—	(907)
Net investment earnings	106,950	790	647	404,825	498	92	1,626	145	515,573
Total net investment earnings	106,950	790	647	404,825	498	92	1,626	145	515,573
Share transactions (net asset value of \$1.00 per share):									
Shares purchased/redeemed (net)	—	—	—	154,985	—	—	—	—	154,985
Net increase in net position from share transactions	—	—	—	154,985	—	—	—	—	154,985
Tax collections for other governments	—	414,127	666,243	—	258,221	58,004	—	—	1,396,595
Member resources	—	—	—	—	—	—	—	102,233	102,233
Other additions	83,458	—	—	—	—	—	—	7,355	90,813
TOTAL ADDITIONS	190,408	414,917	666,890	559,810	258,719	58,096	1,626	109,733	2,260,199
DEDUCTIONS:									
Administrative expenses	20,074	—	—	7,842	—	—	—	4,592	32,508
Payments of taxes to other governments	—	414,917	666,890	—	258,719	58,096	—	—	1,398,622
Member/claimant distributions	53,589	—	—	—	—	—	—	101,191	154,780
Other expenses	7,072	—	—	—	—	—	2,329	—	9,401
TOTAL DEDUCTIONS	80,735	414,917	666,890	7,842	258,719	58,096	2,329	105,783	1,595,311
CHANGE IN FIDUCIARY NET POSITION:									
Tuition Account Investment Program participants	—	—	—	551,968	—	—	—	—	551,968
Beneficiaries	109,673	—	—	—	—	—	(703)	3,950	112,920
TOTAL CHANGE IN FIDUCIARY NET POSITION	109,673	—	—	551,968	—	—	(703)	3,950	664,888
NET POSITION, JULY 1, 2022	1,464,020	—	—	4,077,140	—	—	46,037	19,559	5,606,756
NET POSITION, JUNE 30, 2023	\$ 1,573,693	\$ —	\$ —	\$ 4,629,108	\$ —	\$ —	\$ 45,334	\$ 23,509	\$ 6,271,644



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

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.

There are a total of 16 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, 2023

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyard Development Corporation (Dec. 31, 2022)	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, 2022)	Other	Total
ASSETS											
Current assets:											
Cash	\$ —	\$ 553	\$ —	\$ —	\$ —	\$ 70,220	\$ 1,173	\$ —	\$ —	\$ —	\$ 71,946
Cash with fiscal agents	—	—	—	—	345	—	—	—	—	—	345
Temporary investments	7,463	—	21,823	2,353	212,827	13,909	3,063	207	64,771	—	326,416
Receivables (net):											
Accounts	—	5	—	—	39	6,722	98	—	3,755	9	10,628
Investment earnings	80	—	82	—	—	—	—	—	—	—	162
Interest on notes and loans	23	—	—	—	2,340	—	—	—	—	—	2,363
Loans	2,191	—	—	—	59,886	—	—	—	—	—	62,077
Lease rentals	—	138	—	—	—	124	—	—	—	—	262
Other	9	—	—	—	—	—	496	—	—	—	505
Due from Federal Government	—	—	—	48	—	—	—	—	5,517	—	5,565
Inventory	—	—	—	—	—	—	970	—	—	—	970
Prepaid and deferred expenses	—	14	—	—	—	1,028	159	—	—	—	1,201
Other assets	—	—	—	11	—	—	—	—	—	—	11
Total current assets	9,766	710	21,905	2,412	275,437	92,003	5,959	207	74,043	9	482,451
Noncurrent assets:											
Restricted cash	—	—	—	—	—	—	1,419	—	—	—	1,419
Long-term investments	17,750	—	—	—	—	—	6,454	3,440	—	—	27,644
Receivables (net):											
Loans	5,042	—	46,313	—	221,310	—	—	—	—	—	272,665
Lease rentals	—	3,685	—	—	—	2,121	—	—	—	—	5,806
Non-depreciable capital assets:											
Land	—	161	—	—	—	3,028	3,500	—	—	—	6,689
Construction in progress	—	—	—	—	—	13,141	518	—	—	—	13,659
Depreciable or amortizable capital assets:											
Land improvements	—	—	—	—	—	—	12,071	—	—	—	12,071
Buildings and building improvements	—	—	—	—	—	816,812	4,439	—	—	—	821,251
Machinery and equipment	34	—	—	75	—	225,477	14,791	—	—	—	240,377
Library books	—	—	—	—	—	—	392	—	—	—	392
Other capital assets	—	2	—	—	—	—	—	—	—	—	2
Intangible right-to-use assets	—	—	—	123	—	—	17,748	—	—	—	17,871
Other intangible assets	—	—	—	—	—	—	1,888	—	—	—	1,888
Less: accumulated depreciation and amortization	(34)	—	—	(144)	—	(529,735)	(17,991)	—	—	—	(547,904)
Net depreciable or amortizable capital assets	—	2	—	54	—	512,554	33,338	—	—	—	545,948
Other assets	—	260	—	—	—	3,777	2,484	—	—	—	6,521
Total noncurrent assets	22,792	4,108	46,313	54	221,310	534,621	47,713	3,440	—	—	880,351
TOTAL ASSETS	32,558	4,818	68,218	2,466	496,747	626,624	53,672	3,647	74,043	9	1,362,802

Commonwealth of Pennsylvania
Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2023

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyard Development Corporation (Dec. 31, 2022)	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, 2022)	Other	Total
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 758	\$ —	\$ 471	\$ 482	\$ 519	\$ 2,107	\$ 13,878	\$ 76	\$ 8,593	\$ —	\$ 26,884
LIABILITIES											
Current liabilities:											
Accounts payable and accrued liabilities	\$ 32	\$ —	\$ 32	\$ 21	\$ 1,257	\$ 11,496	\$ 2,306	\$ 3	\$ 9,586	\$ 9	\$ 24,742
Securities lending obligations	—	—	—	—	1,185	—	—	174	—	—	1,359
Due to primary government	—	—	4	8	2	21,084	2	1	—	—	21,101
Due to other governments	—	—	1	—	1	—	—	—	—	—	2
Interest payable	—	—	—	—	435	—	—	—	—	—	435
Unearned revenue	5	247	—	—	—	2,242	81	—	—	—	2,575
Revenue bonds payable	—	—	—	—	10,710	—	—	—	—	—	10,710
Compensated absences	31	—	—	—	—	—	687	—	88	—	806
Other financing obligations	—	—	—	—	—	1,655	171	—	—	—	1,826
Other postemployment benefit liability	—	—	—	—	—	200	637	—	—	—	837
Right-to-use liability	—	—	—	44	—	—	1,551	—	—	—	1,595
Other liabilities	2	—	—	—	—	—	—	—	—	—	2
Total current liabilities	70	247	37	73	13,590	36,677	5,435	178	9,674	9	65,990
Noncurrent liabilities:											
Revenue bond payable	—	—	—	—	13,639	—	—	—	—	—	13,639
Other financing obligations	—	—	—	—	—	10,154	1,917	—	—	—	12,071
Compensated absences	153	—	—	146	—	—	2,161	—	238	—	2,698
Other postemployment benefit liability	787	—	340	220	729	3,501	22,583	53	5,165	—	33,378
Net pension liability	1,712	—	973	1,291	1,185	5,405	22,665	63	5,250	—	38,544
Right-to-use liability	—	—	—	—	—	—	15,250	—	—	—	15,250
Other liabilities	11	260	—	—	—	—	68	—	—	—	339
Total noncurrent liabilities	2,663	260	1,313	1,657	15,553	19,060	64,644	116	10,653	—	115,919
TOTAL LIABILITIES	2,733	507	1,350	1,730	29,143	55,737	70,079	294	20,327	9	181,909
TOTAL DEFERRED INFLOWS OF RESOURCES	1,468	3,668	356	175	473	3,245	13,807	125	4,233	—	27,550
NET POSITION											
Net investment in capital assets	—	163	—	10	—	528,723	25,163	—	—	—	554,059
Restricted for:											
Health-related programs	—	—	—	—	—	—	—	—	58,076	—	58,076
Debt service	—	—	—	—	21,132	—	—	—	—	—	21,132
Economic development	—	480	66,983	1,033	—	41,026	—	3,304	—	—	112,826
Other purposes	29,115	—	—	—	—	—	—	—	—	—	29,115
Unrestricted	—	—	—	—	446,518	—	(41,499)	—	—	—	405,019
TOTAL NET POSITION (DEFICIT)	\$ 29,115	\$ 643	\$ 66,983	\$ 1,043	\$ 467,650	\$ 569,749	\$ (16,336)	\$ 3,304	\$ 58,076	\$ —	\$ 1,180,227

Commonwealth of Pennsylvania
Combining Statement of Activities
 Nonmajor Discretely Presented Component Units
 For the Fiscal Year Ended June 30, 2023

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyards Development Corporation (Dec. 31, 2022)	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, 2022)	Other	Total
Expenses	\$ 426	\$ 224	\$ 24,677	\$ 1,361	\$ 4,704	\$ 107,447	\$ 37,285	\$ 17	\$ 72,542	\$ 570	\$ 249,253
Program revenues:											
Charges for goods and services	733	277	15	—	6,376	20,580	17,137	—	74,417	1,281	120,816
Operating grants and contributions	435	2	23,030	844	7,490	53,406	25,240	122	18,894	—	129,463
Capital grants and contributions	—	190	—	—	—	19,250	332	—	—	—	19,772
TOTAL PROGRAM REVENUES	1,168	469	23,045	844	13,866	93,236	42,709	122	93,311	1,281	270,051
CHANGE IN NET POSITION	742	245	(1,632)	(517)	9,162	(14,211)	5,424	105	20,769	711	20,798
TOTAL NET POSITION (DEFICIT), JULY 1, 2022 (restated)	28,373	398	68,615	1,560	458,488	583,960	(21,760)	3,199	37,307	(711)	1,159,429
TOTAL NET POSITION (DEFICIT), JUNE 30, 2023	\$ 29,115	\$ 643	\$ 66,983	\$ 1,043	\$ 467,650	\$ 569,749	\$ (16,336)	\$ 3,304	\$ 58,076	\$ —	\$ 1,180,227



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

Statistical Section

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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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)

	2014	2015 (1)(2)	2016	2017 (3)	2018 (4)	2019	2020 (5)	2021 (8)	2022	2023 (9)
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 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	\$ 37,541,183
Restricted for:										
General government operations	—	35	47	75	197	217,571	205,566	143,211	—	631
Health-related programs	16,982	15,412	14,294	13,918	13,133	18,033	33,797	44,623	84,711	120,344
Transportation	298,733	481,202	599,545	724,063	920,443	1,209,807	1,330,256	1,617,159	1,924,507	2,198,978
Unemployment/workers' compensation	528,908	405,823	468,215	529,416	522,065	655,581	705,073	862,490	831,812	912,732
Environmental and conservation programs	551,972	365,837	318,622	370,188	283,430	308,401	335,978	342,373	351,465	736,597
Economic development	—	—	—	6,862	5,619	2,907	3,324	4,649	15,059	9,972
Gaming licensing/regulation	651,467	502,589	426,436	400,131	136,002	141,125	—	386,336	893,432	1,025,494
Correctional industries and procurement	38,976	5,498	6,284	26,422	—	—	—	—	—	680
Emergency support	50,535	55,044	65,361	93,002	92,680	110,587	106,856	97,227	107,115	109,342
Beneficiaries (6)	—	—	—	—	—	—	473,729	479,986	504,060	615,684
Human services (7)	—	—	—	—	—	—	—	264,167	341,133	231,002
Public protection (7)	—	—	—	—	—	—	—	8,450	48,800	41,429
Other purposes	57,614	24,019	18,528	—	—	—	—	—	—	—
Unrestricted	(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)	(15,935,789)
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION (DEFICIT)	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	27,608,279
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	489,357	504,790	528,443	556,456	600,833	707,080	753,154	769,180	808,232	898,184
Restricted for:										
Health-related programs	5,588	—	—	—	—	—	—	—	—	—
Transportation	134,364	136,802	139,029	140,676	136,932	141,160	144,657	144,080	132,341	131,706
Capital projects	—	—	2	149	182	166	494	1	—	23,818
Debt service	4,199	4,199	4,199	4,200	4,224	4,273	4,240	—	—	—
Unemployment/workers' compensation	—	—	685,191	1,746,563	2,861,392	4,094,675	1,969,190	140,100	1,167,595	1,827,010
Elderly programs	—	—	—	—	—	—	—	—	44,566	181,579
Economic development (2)	333,821	5,256	5,102	6,373	13,495	6,073	19,880	27,484	24,648	39,272
Emergency support	156,951	129,459	132,008	127,464	130,377	134,694	133,029	131,166	128,140	130,967
Higher education	155,638	226,767	218,155	282,773	381,710	465,429	464,775	737,501	477,033	540,881
Other purposes	147,076	116,825	123,408	135,536	133,877	147,636	159,771	167,615	156,333	162,108
Unrestricted	(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)	(3,753,674)
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION (DEFICIT)	(534,509)	(508,197)	440,152	725,201	(775,453)	314,135	(1,050,671)	(2,625,437)	(1,415,068)	181,851
PRIMARY GOVERNMENT										
Net investment in capital assets	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	38,439,367
Restricted for:										
General government operations	—	35	47	75	197	217,571	205,566	143,211	—	631
Health-related programs	22,570	15,412	14,294	13,918	13,133	18,033	33,797	44,623	84,711	120,344
Transportation	433,097	618,004	738,574	864,739	1,057,375	1,350,967	1,474,913	1,761,239	2,056,848	2,330,684
Capital projects	—	—	2	149	182	166	494	1	—	23,818
Debt service	4,199	4,199	4,199	4,200	4,224	4,273	4,240	—	—	—
Unemployment/workers' compensation	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	2,739,742
Elderly programs	—	—	—	—	—	—	—	—	44,566	181,579
Environmental and conservation programs	551,972	365,837	318,622	370,188	283,430	308,401	335,978	342,373	351,465	736,597
Economic development (2)	333,821	5,256	5,102	13,235	19,114	8,980	23,204	32,133	39,707	49,244
Gaming licensing/regulation	651,467	502,589	426,436	400,131	136,002	141,125	—	386,336	893,432	1,025,494
Correctional industries and procurement	38,976	5,498	6,284	26,422	—	—	—	—	—	680
Emergency support	207,486	184,503	197,369	220,466	223,057	245,281	239,885	228,393	235,255	240,309
Higher education	155,638	226,767	218,155	282,773	381,710	465,429	464,775	737,501	477,033	540,881
Beneficiaries (6)	—	—	—	—	—	—	473,729	479,986	504,060	615,684
Human services (7)	—	—	—	—	—	—	—	264,167	341,133	231,002
Public protection (7)	—	—	—	—	—	—	—	8,450	48,800	41,429
Other purposes	204,690	140,844	141,936	135,536	133,877	147,636	159,771	167,615	156,333	162,108
Unrestricted	(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)	(19,689,463)
TOTAL PRIMARY GOVERNMENT NET POSITION (DEFICIT)	\$ 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	\$ 27,790,130

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 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.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) In addition to the restatement described in note (5), 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 (5) are reported within this caption. These changes have not been retroactively applied to prior fiscal years.
- (7) 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.
- (8) 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.
- (9) For the 2023 fiscal year, the Commonwealth implemented GASB Statement No. 96, which established new standards for the reporting of subscription-based information technology arrangements. With the implementation of GASB Statement No. 96, 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 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)

	2014	2015 (1)	2016	2017 (3)	2018 (4)	2019	2020 (5)	2021 (6)	2022	2023 (7)
GOVERNMENTAL ACTIVITIES										
Expenses:										
Direction and supportive services	\$ 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	\$ 1,797,926
Protection of persons and property	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	8,081,333
Public education	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	22,251,952
Health and human services	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	58,434,956
Economic development	1,005,570	977,910	883,046	1,006,700	930,891	907,959	2,102,195	1,223,545	1,400,383	2,057,874
Transportation	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	6,808,985
Recreation and cultural enrichment	522,662	615,175	607,420	626,244	597,073	591,836	614,142	580,986	586,622	779,801
Interest	494,177	266,477	512,324	435,877	520,369	343,572	326,778	324,741	313,102	328,606
Total expenses	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	100,541,433
Program revenues:										
Charges for sales and services:										
Direction and supportive services	256,820	975,506	424,384	428,813	351,172	385,580	365,256	356,047	417,501	453,936
Protection of persons and property	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	2,044,802
Public education	5,337	5,102	7,647	6,059	7,175	7,370	5,943	6,639	7,142	7,169
Health and human services	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	4,477,432
Economic development	6,373	6,695	7,110	6,221	5,582	7,363	124,654	122,681	120,053	121,368
Transportation	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	1,587,599
Recreation and cultural enrichment	338,954	274,966	251,242	258,709	250,493	328,164	291,133	296,332	474,946	661,198
Operating grants and contributions	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	49,268,771
Capital grants and contributions	42,261	32,186	62,360	78,145	30,682	217,056	30,669	96,087	62,997	51,037
Total program revenues	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	58,673,312
Total governmental activities net program revenues/(expenses)	(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)	(41,868,121)
General revenues and other changes in net position:										
General revenues:										
Taxes:										
Personal income	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	17,295,443
Sales and use	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	15,532,863
Corporation	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	7,557,879
Liquid fuels and motor carriers	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	3,727,331
Gaming	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	2,348,402
Inheritance	850,221	976,286	947,699	988,569	1,008,382	1,034,367	1,071,513	1,292,139	1,589,343	1,520,630
Cigarette	968,436	954,930	974,267	1,406,189	1,363,371	1,288,162	1,223,918	1,267,940	1,166,615	1,115,591
Realty transfer	439,797	485,275	564,002	564,030	606,555	628,245	589,838	745,018	994,263	757,818
Other	1,499,745	1,459,063	1,350,437	948,200	624,910	723,702	991,947	1,045,357	1,051,834	1,154,429
Total taxes	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	51,010,386
Investment earnings	36,311	16,072	16,297	22,977	38,758	66,236	45,409	23,327	19,751	727,351
Total general revenues	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	51,737,737
Transfers from business-type activities	(103,151)	127,071	(50,376)	833,714	1,834,711	235,395	(486,771)	289,051	(195,300)	(606,505)
Net general revenues and transfers	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	51,131,232
Total governmental activities change in net position	\$ (1,411,090)	\$ 928,143	\$ (152,539)	\$ (605,262)	\$ 2,050,532	\$ 1,941,919	\$ (168,208)	\$ 9,185,526	\$ 15,770,739	\$ 9,263,111

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)

	2014	2015 (1)	2016	2017 (3)	2018 (4)	2019	2020 (5)	2021 (6)	2022	2023 (7)
BUSINESS-TYPE ACTIVITIES										
Expenses										
State lottery	\$ 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	\$ 5,490,145
State workers' insurance	267,991	312,856	286,526	221,245	167,630	132,028	102,667	35,039	41,092	218,396
Tuition payment	277,139	226,330	231,082	336,445	255,056	255,230	289,113	249,403	265,109	293,249
Unemployment compensation	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	1,554,492
Commonwealth Financing Authority	189,682	162,358	188,604	217,680	253,020	298,466	383,494	340,975	322,203	335,572
Liquor control	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	2,295,550
Economic development and other	47,212	57,287	54,089	52,211	55,765	76,317	54,205	73,555	80,257	101,808
Total expenses	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	10,289,212
Program revenues										
Charges for sales and services:										
State lottery	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	5,683,792
State workers' insurance	207,208	225,660	211,481	184,205	166,029	153,279	115,981	92,344	93,858	96,270
Tuition payment	191,766	191,915	192,187	206,893	205,717	208,814	204,868	209,831	219,530	212,268
Unemployment compensation	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	2,358,641
Commonwealth Financing Authority	8,463	11,083	9,237	10,497	21,692	15,045	5,917	4,555	4,858	7,544
Liquor control	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	2,552,970
Economic development and other	25,305	36,170	26,463	29,211	30,511	32,257	33,848	50,022	58,129	105,800
Operating grants and contributions	1,048,220	416,322	110,551	361,400	328,832	223,076	17,194,720	22,200,027	3,443,919	261,614
Capital grants and contributions	270	232	—	—	—	3,803	14,398	5,539	3,192	386
Total program revenues	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	11,279,285
Total business-type activities net program revenues/(expenses)	596,487	771,998	897,973	1,118,763	1,346,519	1,324,983	(1,851,577)	(1,286,254)	1,015,069	990,073
Other changes in net position										
Special item-loss on transfer of operations (2)	—	(157,930)	—	—	—	—	—	—	—	—
Transfers to governmental activities	103,151	(127,071)	50,376	(833,714)	(1,834,711)	(235,395)	486,771	(289,051)	195,300	606,505
Net special items and transfers	103,151	(285,001)	50,376	(833,714)	(1,834,711)	(235,395)	486,771	(289,051)	195,300	606,505
Total business-type activities change in net position	699,638	486,997	948,349	285,049	(488,192)	1,089,588	(1,364,806)	(1,575,305)	1,210,369	1,596,578
Total primary government change in net position	\$ (711,452)	\$ 1,415,140	\$ 795,810	\$ (320,213)	\$ 1,562,340	\$ 3,031,507	\$ (1,533,014)	\$ 7,610,221	\$ 16,981,108	\$ 10,859,689

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 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.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) Beginning with the 2023 fiscal year, the Commonwealth implemented GASB Statement No. 96. Note 18 in the notes to the financial statement provides additional details on this implementation. The primary effect on this table is that beginning with the 2023 fiscal year, additional subscription-based information technology arrangements 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)

	2014	2015	2016	2017 (1)	2018	2019	2020 (2)	2021 (3)	2022	2023 (4)
GENERAL FUND (1)										
Nonspendable	\$ 265,403	\$ 247,216	\$ 284,398	\$ 218,343	\$ 201,500	\$ 183,102	\$ 170,248	\$ 103,772	\$ 80,856	\$ 60,496
Restricted	45	36	45	78	1,378	8,791	21,779	206,572	279,639	114,626
Committed	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	8,265,049
Assigned	—	—	—	—	—	—	—	—	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	9,734,193
TOTAL GENERAL FUND	(566,038)	273,553	90,109	(697,568)	813,710	835,390	(1,525,203)	3,073,026	13,371,235	18,174,364
ALL OTHER GOVERNMENTAL FUNDS (1)										
Restricted reported in:										
Special Revenue funds	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	9,939,030
Committed reported in:										
Special Revenue funds	373,185	116,314	159,035	159,374	66,986	107,388	64,077	89,234	101,374	147,710
Debt Service funds	9,221	11,717	23,446	7,240	53,594	14,206	5,158	35,857	18,531	30,413
Capital Projects funds	423,670	1,022,565	566,823	1,179,244	1,659,719	930,615	359,311	924,048	343,340	617,549
Unassigned reported in:										
Special Revenue funds (deficit)	—	(1,936)	—	(42,077)	(9,481)	(13,937)	(14,874)	(14,235)	(14,081)	(13,144)
Capital Projects funds (deficit)	—	—	—	—	—	—	—	—	(101,882)	—
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ 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	\$ 10,721,558

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) 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.
- (2) 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.
- (3) 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.
- (4) For the 2023 fiscal year, the Commonwealth implemented GASB Statement No. 96, which established new standards for the reporting of subscription-based information technology arrangements. With the implementation of GASB Statement No. 96, 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 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)

	2014	2015	2016	2017	2018	2019	2020 (3)	2021 (4)	2022	2023 (5)
REVENUES BY SOURCE										
Taxes, net of refunds	\$ 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	\$ 50,793,231
Licenses and fees	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	3,316,415
Intergovernmental	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	49,015,853
Charges for sales and services	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	5,144,936
Investment earnings	270,607	93,756	85,338	218,483	169,233	288,839	239,000	263,633	(235,866)	1,083,279
Other (1)	486,992	441,176	702,830	739,385	630,784	971,589	614,718	619,034	690,203	730,341
TOTAL REVENUES	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	110,084,055
EXPENDITURES BY FUNCTION										
Direction and supportive services	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	1,772,898
Protection of persons and property	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	8,183,867
Health and human services	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	59,098,847
Public education	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	22,205,458
Recreation and cultural enrichment	484,137	544,326	536,873	533,125	559,015	563,846	612,400	623,957	653,267	779,953
Economic development	1,000,607	970,286	858,890	983,358	916,074	926,245	2,132,049	1,247,396	1,461,190	2,090,993
Transportation	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	4,965,723
Capital outlay	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	3,745,044
Debt service:										
Principal retirement	761,345	762,425	757,455	768,551	724,720	815,185	835,116	848,100	896,921	892,580
Interest and fiscal charges	554,574	563,326	578,463	582,068	567,924	589,894	555,939	546,099	515,677	506,201
TOTAL EXPENDITURES	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	104,241,564
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,145,093)	(624,122)	(977,878)	(2,017,518)	(1,169,707)	(579,594)	(2,816,829)	5,303,122	11,172,726	5,842,491
OTHER FINANCING SOURCES/(USES)										
Bonds issued	1,295,000	1,460,000	355,000	1,208,725	1,247,000	—	—	1,019,600	—	1,000,000
Refunding bonds issued	289,946	782,425	633,175	605,170	970,030	886,875	—	495,525	—	—
Premium on bonds/refunding bonds issued	203,088	318,957	173,671	242,927	252,698	176,780	—	150,966	—	99,652
Discount on bonds issued	—	(1,441)	(780)	(2,286)	(1,430)	—	—	(1,831)	—	(1,250)
Other financing obligation proceeds	—	—	—	—	201,115	—	—	75,195	—	—
Premium on other financing obligations	—	—	—	—	—	—	—	7,627	—	—
Transfers in	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	2,260,669
Transfers out	(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)	(2,867,174)
Payment to refunded bond escrow agent	(336,896)	(900,849)	(763,350)	(683,084)	(1,136,887)	(1,059,811)	—	(494,440)	—	—
Leases and installment purchases	715	—	—	—	749	1,635	4,605	117,086	278,530	164,708
TOTAL OTHER FINANCING SOURCES/(USES)	1,348,702	1,786,163	347,340	2,205,166	3,367,986	240,874	(482,166)	1,658,779	83,230	656,605
NET CHANGE IN FUND BALANCES	\$ (1,796,391)	\$ 1,162,041	\$ (630,538)	\$ 187,648	\$ 2,198,279	\$ (338,720)	\$ (3,298,995)	\$ 6,961,901	\$ 11,255,956	\$ 6,499,096
Debt Service as a Percentage of Noncapital Expenditures (2)	2.21 %	2.12 %	2.04 %	1.89 %	1.81 %	1.86 %	1.69 %	1.61 %	1.46 %	1.39 %

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.

(5) Beginning with the 2023 fiscal year, the Commonwealth implemented GASB Statement No. 96. Note 18 in the notes to the financial statements provides additional details on this implementation. The primary effect on this table is that beginning with the 2023 fiscal year, additional subscription-based information technology arrangements 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)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
TOTAL PERSONAL INCOME BY INDUSTRY (1)(2)										
Workplace earnings:										
Farm earnings	\$ 2,303	\$ 2,647	\$ 1,703	\$ 882	\$ 1,655	\$ 1,009	\$ 1,524	\$ 1,102	\$ 1,833	\$ 2,339
Nonfarm earnings:										
Private earnings:										
Forestry, fishing/hunting, agriculture	677	721	806	812	801	838	810	858	830	896
Mining	4,450	5,055	3,339	2,179	3,686	3,145	3,225	2,832	3,265	4,199
Utilities	3,129	3,208	3,629	3,748	3,682	3,863	3,791	4,018	4,058	3,964
Construction	22,323	24,112	25,480	26,061	28,124	29,263	30,981	28,974	31,078	32,402
Manufacturing	42,582	43,785	45,233	44,282	46,176	49,336	50,718	49,153	50,767	54,486
Wholesale trade	20,295	21,214	21,491	20,936	21,585	21,855	22,292	22,456	23,066	24,699
Retail trade	23,572	23,527	24,032	24,229	24,349	25,494	26,422	27,146	29,726	31,199
Transportation and warehousing	16,107	17,072	20,694	21,739	23,423	25,584	25,955	26,662	28,395	30,161
Broadcasting/publishing/internet technology	25,362	24,185	23,967	27,489	24,135	23,619	20,468	17,951	18,485	17,388
Finance and insurance	26,146	26,680	27,236	27,323	27,976	28,237	29,843	34,282	37,051	38,568
Real estate and rental and leasing	7,177	7,693	8,899	9,317	9,136	9,043	9,595	9,890	10,838	10,987
Professional and technical services	39,315	40,998	43,235	44,854	47,068	48,650	51,630	52,068	56,513	61,188
Management of companies and enterprises	17,145	17,434	18,437	18,244	19,131	20,200	21,293	19,778	22,568	23,321
Administrative services	13,423	13,959	14,613	14,766	15,888	16,674	17,496	16,928	18,187	20,115
Educational services	13,266	13,776	14,273	15,082	15,254	15,954	16,780	16,918	17,701	18,479
Health care and social assistance	57,616	58,939	61,544	63,361	65,526	68,890	71,963	75,049	76,705	82,446
Arts, entertainment, and recreation	4,503	4,985	4,995	5,569	5,690	5,973	6,070	4,388	5,060	5,894
Accommodation and food services	10,351	10,748	11,370	11,889	12,347	12,963	13,952	10,675	14,659	15,361
Other services, except public administration	14,085	14,789	15,842	16,155	16,421	17,293	17,920	16,481	17,466	18,965
Total private earnings	361,524	372,880	389,115	398,035	410,398	426,874	441,204	436,507	466,418	494,718
Government:										
Federal, civilian	9,411	9,619	9,933	10,138	10,407	10,786	11,043	11,602	11,924	12,446
Military	1,466	1,394	1,371	1,399	1,398	1,423	1,454	1,459	1,491	1,508
State government	13,157	13,419	13,883	14,003	14,126	14,363	14,395	14,769	14,480	14,679
Local government	33,596	33,703	34,228	34,689	34,993	36,084	36,347	36,819	36,455	36,914
Total government earnings	57,630	58,135	59,415	60,229	60,924	62,656	63,239	64,649	64,350	65,547
Total nonfarm earnings	419,154	431,015	448,530	458,264	471,322	489,530	504,443	501,156	530,768	560,265
Total workplace earnings	421,457	433,662	450,233	459,146	472,977	490,539	505,967	502,258	532,601	562,604
Other earnings/deductions (3)	168,263	177,760	185,585	194,183	198,726	216,504	223,175	281,568	300,721	274,174
Total personal income	\$ 589,720	\$ 611,422	\$ 635,818	\$ 653,329	\$ 671,703	\$ 707,043	\$ 729,142	\$ 783,826	\$ 833,322	\$ 836,778
Total personal income subject to the direct personal income tax rate (4)(5)	\$ 340,150	\$ 357,088	\$ 374,294	\$ 372,576	\$ 395,769	\$ 417,664	\$ 435,400	\$ 321,131	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 2023.
Total personal income subject to the direct tax rate was obtained from the Pennsylvania Department of Revenue. The information for the 2020 calendar year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-August 2023 (Fiscal Year 2021-22). The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for August 2023. 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, 2022. 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 2022. These estimates have subsequently been revised (as provided in the September 2023 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 2021 and 2022 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
2011 and 2020 Tax Years

(Liability amounts in thousands)

2011 Tax Year (1)(2)(3)(5)					2020 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	185,798	3.06 %	\$ —	0.00 %	\$0	400,339	6.03 %	\$ —	0.00 %
\$1-999	437,005	7.19 %	4,785	0.05 %	\$1-9,999	1,587,567	23.92 %	179,064	1.29 %
\$1,000-2,999	390,327	6.42 %	23,197	0.24 %	\$10,000-19,999	714,156	10.76 %	321,125	2.31 %
\$3,000-4,999	296,340	4.87 %	36,033	0.37 %	\$20,000-29,999	567,590	8.55 %	434,985	3.13 %
\$5,000-6,999	246,745	4.06 %	45,187	0.46 %	\$30,000-39,999	536,645	8.09 %	574,692	4.14 %
\$7,000-8,999	207,735	3.42 %	50,823	0.52 %	\$40,000-49,999	441,243	6.65 %	607,040	4.37 %
\$9,000-10,999	189,958	3.12 %	58,220	0.59 %	\$50,000-74,999	774,751	11.68 %	1,461,578	10.53 %
\$11,000-12,999	172,097	2.83 %	63,347	0.64 %	\$75,000-99,999	482,469	7.27 %	1,282,296	9.24 %
\$13,000-14,999	162,972	2.68 %	69,970	0.71 %	\$100,000-249,999	891,329	13.43 %	4,070,906	29.32 %
\$15,000-16,999	151,739	2.50 %	74,454	0.76 %	\$250,000-499,999	167,531	2.52 %	1,729,647	12.46 %
\$17,000-18,999	140,524	2.31 %	77,610	0.79 %	\$500,000-999,999	49,067	0.74 %	1,011,820	7.29 %
\$19,000-21,999	202,486	3.33 %	127,355	1.29 %	\$1,000,000 or more	23,293	0.35 %	2,209,154	15.91 %
\$22,000-24,999	193,405	3.18 %	139,465	1.41 %					
\$25,000-29,999	298,517	4.91 %	251,537	2.55 %					
\$30,000-34,999	268,878	4.42 %	267,842	2.72 %					
\$35,000-39,999	240,029	3.95 %	276,048	2.80 %					
\$40,000-49,999	400,545	6.59 %	550,793	5.59 %					
\$50,000-74,999	701,159	11.53 %	1,323,458	13.42 %					
\$75,000-99,999	432,860	7.12 %	1,149,315	11.66 %					
\$100,000-149,999	413,881	6.81 %	1,533,381	15.55 %					
\$150,000-249,999	218,595	3.59 %	1,253,908	12.72 %					
\$250,000 or more	129,241	2.13 %	2,481,996	25.18 %					
Total (6)	6,080,836	100.00 %	\$ 9,858,724	100.00 %	Total	6,635,980	100.00 %	\$ 13,882,307	100.00 %

Sources:

For the 2011 tax year, all of the information was provided directly by the Pennsylvania Department of Revenue. For the 2020 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-August 2023 (Fiscal Year 2021-22). The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for August 2023. 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 2011 or 2020 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 2021 and 2022 tax years. This compilation is used in the calculation of the estimated personal income tax liability. Therefore, the 2011 and 2020 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 2011 tax year are reported within the original captions; whereas the amounts reported in the 2020 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)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Estimated Taxable Sales by Industry (1)(2)(3)										
Manufacturing	\$ 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	\$ 10,138,333
Public utilities	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	5,400,000
Wholesale trade	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	22,355,000
Building materials	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	16,533,333
General merchandise	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	36,550,000
Food and beverage stores	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	8,751,667
Automotive dealers	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	6,360,000
Furniture and appliances	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	9,273,333
Other retail stores	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	9,918,333
Agriculture and mining	934,048	906,617	1,178,700	972,767	858,350	991,000	1,133,333	1,035,000	1,076,667	1,265,000
Construction	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	6,641,667
Service	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	72,640,000
Transportation, delivery, and warehousing	472,217	490,583	518,767	562,800	525,000	597,467	650,000	886,667	2,318,333	2,841,667
Government	305,027	342,117	281,192	295,717	305,767	328,633	350,000	286,667	488,333	546,667
Unclassified	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	3,453,333
Motor vehicle	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	32,386,667
Liquor sales	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	2,828,333
Total sales tax estimated base (4)	\$ 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	\$ 247,883,333
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 2022 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-August 2023 (Fiscal Year 2021-22). The total direct sales tax rate was obtained from the Pennsylvania Tax Compendium for August 2023. 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 2023 fiscal year. Therefore, fiscal years 2013 through 2022 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, 2013 and June 30, 2022

(Amounts in thousands)

June 30, 2013 (1)(2)			June 30, 2022 (1)(2)		
Industry (4)	Sales (3) Tax Remittances Liability	Percentage of Total	Industry (4)	Sales (3) Tax Remittances Liability	Percentage of Total
Manufacturing	\$ 443,504	4.99 %	Manufacturing	\$ 608,300	4.09 %
Public utilities	269,559	3.03 %	Public utilities	324,000	2.18 %
Wholesale trade	739,010	8.31 %	Wholesale trade	1,341,300	9.02 %
Building materials	542,353	6.10 %	Building materials	992,000	6.67 %
General merchandise	1,192,750	13.41 %	General merchandise	2,193,000	14.74 %
Food and beverage stores	394,823	4.44 %	Food and beverage stores	525,100	3.53 %
Automotive dealers	247,360	2.78 %	Automotive dealers	381,600	2.57 %
Furniture and appliances	317,128	3.57 %	Furniture and appliances	556,400	3.74 %
Other retail stores	386,875	4.35 %	Other retail stores	595,100	4.00 %
Agriculture and mining	56,043	0.63 %	Agriculture and mining	75,900	0.51 %
Construction	190,516	2.14 %	Construction	398,500	2.68 %
Service	2,702,378	30.39 %	Service	4,358,400	29.30 %
Transportation, delivery, and warehousing	28,333	0.32 %	Transportation, delivery, and warehousing	170,500	1.15 %
Government	18,302	0.21 %	Government	32,800	0.22 %
Unclassified	67,963	0.76 %	Unclassified	207,200	1.39 %
Motor vehicle	1,167,581	13.13 %	Motor vehicle	1,943,200	13.07 %
Liquor sales	129,236	1.45 %	Liquor sales	169,700	1.14 %
Total (5)	\$ 8,893,714	100.00 %	Total (5)	\$ 14,873,000	100.00 %
Sales Tax Licenses (6)	233,538		Sales Tax Licenses (6)	216,317	

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 2022 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-August 2023 (Fiscal Year 2021-22). 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 2023 fiscal year. Therefore, fiscal years 2013 and 2022 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

	2011	2012	2013	2014	2015	2016 (7)	2017	2018 (6)	2019 (6)	2020 (6)
ESTIMATED CORPORATE NET INCOME TAXABLE BASE (1)(2)										
Corporate Tax Report Compilation (amounts in thousands)	\$ 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	\$ 34,454,925
NUMBER OF FILERS BY CORPORATE NET INCOME TAX LIABILITY RANGE (3)										
\$0	85,406	86,259	88,486	92,816	94,228	79,863	56,624	52,378	52,890	55,351
\$1-300	6,959	7,029	6,481	6,199	6,214	6,204	9,554	9,209	8,752	7,102
\$301-500	1,932	1,939	1,750	1,797	1,805	1,773	2,657	2,581	2,388	2,092
\$501-1,000	2,963	3,046	2,852	2,796	2,889	2,743	4,191	3,930	3,930	3,333
\$1,001-5,000	6,964	7,528	7,213	7,417	7,344	7,336	9,969	9,968	9,525	8,745
\$5,001-10,000	2,655	2,829	2,786	2,849	2,860	2,848	3,627	3,691	3,540	3,547
\$10,001-25,000	2,445	2,744	2,713	2,970	2,930	2,919	3,708	4,170	4,001	3,979
\$25,001-50,000	1,387	1,559	1,620	1,781	1,770	1,708	2,148	2,452	2,412	2,527
\$50,001-100,000	1,138	1,228	1,262	1,373	1,380	1,366	1,659	1,871	1,874	2,043
\$100,001-250,000	1,030	1,225	1,207	1,241	1,246	1,293	1,447	1,722	1,620	1,812
\$250,001-500,000	450	561	538	582	607	575	652	798	764	855
\$500,001-1,000,000	307	379	344	377	355	348	420	476	465	525
>\$1,000,000	273	418	429	462	441	437	410	527	504	580
Total corporate net income tax filers (4)(5)	113,909	116,744	117,681	122,660	124,069	109,413	97,066	93,773	92,665	92,491
Total direct corporate net income tax rate	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%	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 August 2023. 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 2021 and 2022 tax years. Therefore, tax years 2011 through 2020 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 31, many filers have a filing year that falls on a different date (e.g. March 31). This table presents information based on all filers whose tax year began during the associated calendar years.
- (6) For tax years 2011 through 2018, the amounts presented are actual. The amounts presented for the 2018 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, 2022 fiscal year, since that amount was an estimate. For the 2019 tax year, the amounts presented are a revised estimate from what was presented in the June 30, 2022 ACFR. And for the 2020 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)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:										
General obligation bonds	\$ 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	\$ 10,758,090
Leases/installment purchase liabilities (5)(6)	117,961	110,208	103,183	100,054	99,259	96,725	95,226	1,021,798	1,151,333	1,186,598
Other financing obligations	315,620	285,740	285,740	285,740	502,390	567,052	480,790	536,818	509,961	481,794
Total governmental	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	12,426,482
Business-type activities:										
Demand revenue bonds payable	166,635	9,565	—	—	—	—	—	—	—	—
Revenue bonds payable	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	4,327,107
Leases/installment purchase liabilities (5)(6)	—	—	—	—	—	—	—	286,037	269,136	254,757
Total business-type	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	4,581,864
TOTAL PRIMARY GOVERNMENT	\$ 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	\$ 17,008,346
Debt as a Percentage of Personal Income (3)(4)	2.99 %	2.87 %	2.61 %	2.64 %	2.88 %	2.58 %	2.26 %	2.32 %	2.05 %	2.03 %
Amount of Debt per Capita (3)(4)	\$ 1,374	\$ 1,364	\$ 1,286	\$ 1,335	\$ 1,494	\$ 1,405	\$ 1,269	\$ 1,398	\$ 1,313	\$ 1,311

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, 2023 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, 2022 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, 2022 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.

(6) Beginning with the 2023 fiscal year, the Commonwealth implemented GASB Statement No. 96. Note 18 in the notes to the financial statement provides additional details on this implementation. The primary effect on this table is that beginning with the 2023 fiscal year, additional subscription-based information technology arrangements 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
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%	1,032
2019	12,490,765	31.67%	962
2020	11,497,176	29.76%	886
2021	11,693,268	26.62%	898
2022	10,667,746	21.52%	818
2023	10,758,090	21.09%	827

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, 2022 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, 2022 ACFR.

Commonwealth of Pennsylvania

Debt Capacity

Table 12

Computation of Legal Debt Margin

As of August 31 for the Last Ten Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Average annual tax revenues deposited in the previous five fiscal years	\$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	\$48,339,805,509
Constitutional factor	x 1.75									
Constitutional debt limit for debt incurred without the approval of the electors (A)	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	84,594,659,641
Less outstanding net debt (non-electorate approved)	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	9,183,103,382
Legal debt margin (B)	\$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	\$75,411,556,259
Total outstanding net debt applicable to the constitutional limit as a percentage of the constitutional limit	16.24 %	16.75 %	17.49 %	15.81 %	15.99 %	14.34 %	13.27 %	12.93 %	11.22 %	10.86 %

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Employment by nonfarm related industry (1)(2)(3):										
Total nonfarm:										
Private earnings:										
Goods producing:										
Natural resources and mining	36,000	37,800	34,000	25,000	26,700	28,700	28,900	23,200	21,700	21,700
Construction	224,000	229,100	235,500	239,200	249,200	255,900	261,200	241,600	254,800	255,300
Manufacturing	565,900	568,900	569,300	561,200	563,200	571,300	575,300	537,900	544,300	545,600
Total goods producing	825,900	835,800	838,800	825,400	839,100	855,900	865,400	802,700	820,800	822,600
Service providing:										
Trade	1,092,500	1,102,900	1,114,000	1,118,500	1,117,800	1,123,800	1,123,400	1,059,000	1,101,900	1,105,100
Information	88,300	85,900	85,500	85,000	84,800	86,700	87,900	83,900	86,400	87,000
Financial Activities	313,800	315,900	316,800	317,900	321,700	326,500	331,600	327,100	328,800	329,200
Professional and business services	751,500	764,900	783,100	797,200	802,400	806,300	815,200	770,300	802,500	806,200
Education and health services	1,163,300	1,180,800	1,192,400	1,218,900	1,245,800	1,274,800	1,295,800	1,228,800	1,228,900	1,230,700
Leisure and hospitality	532,300	537,700	545,400	557,500	566,800	571,900	578,000	424,400	478,400	486,000
Other services	252,400	253,400	254,800	259,400	259,700	260,800	262,400	223,900	236,200	237,600
Total service providing	4,194,100	4,241,500	4,292,000	4,354,400	4,399,000	4,450,800	4,494,300	4,117,400	4,263,100	4,281,800
Total private earnings	5,020,000	5,077,300	5,130,800	5,179,800	5,238,100	5,306,700	5,359,700	4,920,100	5,083,900	5,104,400
Government	720,700	711,400	704,700	703,300	703,200	703,000	706,300	684,800	676,400	676,900
Total nonfarm	5,740,700	5,788,700	5,835,500	5,883,100	5,941,300	6,009,700	6,066,000	5,604,900	5,760,300	5,781,300

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, 2022 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		
2013	12,847	316,735	4.06 %	\$ 589,720	\$ 14,063,283	4.19 %	\$ 45,904	\$ 44,401	3.39 %	
2014	12,880	319,270	4.03 %	611,422	14,778,160	4.14 %	47,469	46,287	2.55 %	
2015	12,899	321,829	4.01 %	635,818	15,467,113	4.11 %	49,293	48,060	2.57 %	
2016	12,918	324,368	3.98 %	653,329	15,884,741	4.11 %	50,574	48,971	3.27 %	
2017	12,945	326,623	3.96 %	671,703	16,658,962	4.03 %	51,888	51,004	1.73 %	
2018	12,981	328,542	3.95 %	707,043	17,514,402	4.04 %	54,468	53,309	2.17 %	
2019	12,991	330,233	3.93 %	729,142	18,343,601	3.97 %	56,125	55,547	1.04 %	
2020	12,994	331,512	3.92 %	783,826	19,609,985	4.00 %	60,320	59,153	1.97 %	
2021	13,012	332,032	3.92 %	833,322	21,392,812	3.90 %	64,042	64,430	(0.60)%	
2022	12,972	333,288	3.89 %	836,778	21,820,248	3.83 %	64,506	65,470	(1.47)%	

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, 2022 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, 2022 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, 2022 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	
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 %
2022	6,479	6,196	283	4.4 %	164,287	158,291	5,996	3.6 %	22.22 %

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, 2022 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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Direction and supportive services										
Legislative	2,749	2,716	2,596	2,583	2,564	2,701	2,509	2,522	2,541	2,658
Revenue	1,867	1,902	1,869	1,880	1,856	1,651	1,670	1,571	1,539	1,530
Executive Offices	1,554	1,496	1,429	1,441	1,460	2,900	2,834	2,687	2,826	2,874
General Services	950	926	863	866	834	835	829	817	819	859
Auditor General	475	472	463	469	448	454	384	373	359	365
Treasurer	373	353	345	357	373	371	362	337	333	340
Other	256	248	239	230	1,549	118	329	320	337	372
Total direction and supportive services	8,224	8,113	7,804	7,826	9,084	9,030	8,917	8,627	8,754	8,998
Protection of persons and property										
Corrections	15,177	15,197	15,340	15,374	15,367	16,693	16,320	16,098	15,705	15,937
State Police	6,139	6,344	6,372	6,210	6,079	6,280	6,360	6,281	6,359	6,317
Liquor Control Board	5,086	5,093	5,166	5,424	5,358	5,350	5,363	5,592	5,754	6,164
Environmental Protection	2,522	2,491	2,412	2,411	2,319	2,305	2,350	2,290	2,381	2,502
Judiciary	2,171	2,160	2,179	2,178	2,090	2,072	2,028	2,008	2,004	2,010
Transportation	1,188	1,189	1,193	1,174	1,167	1,282	1,268	1,342	1,363	1,365
Probation and Parole Board	1,217	1,228	1,267	1,268	1,285	—	—	—	—	—
Agriculture	914	921	884	868	843	859	849	823	805	870
Attorney General	836	840	836	859	857	934	951	948	969	991
Military and Veterans Affairs	486	474	486	500	490	483	509	509	547	532
State	489	485	479	492	484	516	505	511	500	497
Other	1,827	1,782	1,729	1,713	1,692	1,710	1,719	1,735	1,725	1,756
Total protection of persons and property	38,052	38,204	38,343	38,471	38,031	38,484	38,222	38,137	38,112	38,941
Public education										
Education	499	488	474	475	438	448	453	449	432	469
Total public education	499	488	474	475	438	448	453	449	432	469
Health and human services										
Human Services	16,643	16,829	17,164	16,914	16,064	16,013	15,971	15,501	14,788	14,037
Labor and Industry	4,037	3,785	3,674	3,108	2,837	2,908	3,253	3,336	3,158	3,524
Military and Veterans Affairs	1,961	1,949	1,959	1,923	1,925	1,884	1,952	1,939	1,886	1,856
Health	1,281	1,236	1,249	1,282	1,117	1,134	1,164	1,265	1,303	1,374
Other	284	301	290	279	277	263	278	253	268	293
Total health and human services	24,206	24,100	24,336	23,506	22,220	22,202	22,618	22,294	21,403	21,084
Economic development										
Labor and Industry	897	903	908	910	867	864	818	780	751	807
Community and Economic Development	313	307	299	298	283	288	290	278	294	318
Total economic development	1,210	1,210	1,207	1,208	1,150	1,152	1,108	1,058	1,045	1,125

Commonwealth of Pennsylvania

Operating Information

Table 16

Commonwealth Employees by Function and Agency

For the Last Ten Calendar Years Ended June 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Transportation										
Transportation	10,609	10,480	10,490	10,522	10,230	10,551	10,406	10,401	10,151	10,476
Total transportation	10,609	10,480	10,490	10,522	10,230	10,551	10,406	10,401	10,151	10,476
Recreation and cultural enrichment										
Conservation and Natural Resources	2,407	2,425	2,387	2,396	2,278	2,245	2,216	2,194	2,153	2,284
Game Commission	797	781	725	683	705	696	728	753	783	826
Fish and Boat Commission	433	416	432	426	409	402	403	435	471	442
Historical and Museum Commission	222	218	205	205	201	198	195	182	183	192
Other	41	42	41	40	40	43	45	40	43	47
Total recreation and cultural enrichment	3,900	3,882	3,790	3,750	3,633	3,584	3,587	3,604	3,633	3,791
Total Commonwealth Employees	86,700	86,477	86,444	85,758	84,786	85,451	85,311	84,570	83,530	84,884

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022 (4)	2023 (4)
Direction and supportive services:										
Executive Offices										
Juvenile Court Judges' Commission										
Juveniles arrested for violent crimes (1) (5)	3,180	2,907	2,814	3,069	2,612	2,874	1,850	1,452	1,901	2,082
Protection of persons and property:										
Attorney General										
Total drug arrests	1,600	1,727	1,239	1,197	1,413	1,638	1,301	1,153	1,032	1,404
Consumer complaints concerning business practices investigated and mediated	36,473	26,591	20,736	20,230	22,976	25,774	27,327	25,286	30,538	28,000
Corrections										
Inmates	51,118	50,366	49,913	48,510	48,353	46,482	42,101	37,748	37,498	38,211
Military and Veterans Affairs										
Pennsylvania National Guard End Strength Ceiling	19,708	19,969	19,699	19,615	18,919	18,330	17,926	18,839	18,845	18,358
Personnel receiving training at Fort Indiantown Gap	136,801	126,722	124,264	120,208	163,494	151,716	121,980	107,124	104,464	107,020
Revenue										
Households provided property tax or rent assistance (2)	569,135	580,729	567,280	559,025	547,994	531,995	828,226	149,570	444,119	429,137
Judiciary										
Caseload (cases filed/reopened/appeals) (1)	3,495,265	3,299,021	3,273,085	3,134,994	3,290,613	3,196,261	3,184,937	2,198,502	2,466,441	2,560,924
Public education:										
Higher Education										
Full-Time Equivalent Enrollments at State-Supported Institutions of Higher Education:										
State System of Higher Education	104,458	102,322	99,870	97,477	94,243	90,224	87,802	87,973	79,552	77,076
Community Colleges	94,051	89,807	86,185	81,941	80,270	76,596	75,898	69,713	60,685	59,074
State-Related Universities	161,442	164,075	165,654	170,461	171,295	168,875	159,029	160,112	158,121	154,619
Non-State Related Universities and Colleges	858	842	865	1,040	1,122	1,350	1,467	1,310	1,313	1,455
Health and human services:										
Aging and Long-Term Living										
Comprehensive PACE/PACENET Program:										
Older Pennsylvanians enrolled (average)	275,390	268,805	256,622	245,231	233,006	228,988	224,683	208,980	205,106	197,131
Prescriptions per year	9,040,508	8,381,953	7,565,493	6,775,596	6,248,623	5,524,599	4,828,439	4,222,277	4,012,512	3,727,080
Health										
Vital events (births, deaths, fetal deaths) registered (1)	271,697	269,203	272,623	273,888	275,255	270,096	286,805	289,038	278,192	276,310
Human Services										
Persons participating in Medical Assistance (monthly average)	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	3,653,000
Persons receiving cash assistance (monthly average)	165,794	160,490	143,765	126,283	111,594	97,310	86,952	69,403	65,380	72,379
Community Mental Health Services										
Total persons provided mental health services	696,834	735,002	765,867	774,303	798,265	810,396	765,214	716,243	749,506	910,013
Persons receiving Intellectual Disability services	53,648	54,075	54,675	55,172	55,667	56,366	56,954	56,650	56,803	61,000
Economic development:										
Labor and Industry										
Vocational Rehabilitation-Eligible participants with active plans	52,000	52,500	41,579	39,771	49,902	53,414	42,483	34,781	35,584	39,142
Transportation:										
Transportation										
Passengers carried by State-assisted operators (millions annually)	430	426	426	404	397	387	299	143	196	202
Highway and Bridge Construction/Reconstruction/Maintenance										
Total miles of state maintained highways improved	3,954	5,060	5,291	5,305	6,156	5,185	6,141	3,093	5,477	6,259
Bridges rehabilitated/repaired	220	253	415	556	402	171	181	119	141	155
Bridges preserved	209	265	216	248	229	181	191	175	248	300

Commonwealth of Pennsylvania

Operating Information

Table 17

Operating Indicators by Function and Agency

For the Last Ten Years Ended June 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022 (4)	2023 (4)
Recreation and cultural enrichment:										
Conservation and Natural Resources										
State park attendance (visitor days per calendar year / thousands annually)	38,000	37,900	40,500	40,600	38,800	37,400	40,700	46,600	39,400	39,000
Fish and Boat Commission										
Fishing licenses sold	859,863	841,419	837,324	841,743	800,248	765,983	777,087	934,259	860,126	860,126
Game Commission										
Hunting licenses sold	952,989	943,836	935,767	914,244	885,564	855,546	860,798	887,211	861,966	861,966
Historical and Museum Commission										
Records maintained by the State Records Center	257,444	266,853	265,521	237,492	237,370	236,972	233,914	228,735	219,591	215,000
Annual ticketed visitors to commission historical sites and museums (in thousands) (3) ...	327	384	377	332	347	316	226	19	120	146

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) 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.

(4) For the latest fiscal year, a majority of the indicators presented are estimates. For the immediate previous fiscal year, the amounts that were presented as estimates in the Commonwealth's ACFR for the June 30, 2022 fiscal year have been revised. Therefore, the amounts shown may differ from what was presented in the June 30, 2022 ACFR.

(5) Changes were made in the PSP Uniform Crime Reporting (the program used to obtain this data over the past decade) which was updated in its entirety since 6/30/22 ACFR.

Commonwealth of Pennsylvania

Operating Information

Table 18

Capital Asset Information by Function and Agency
For the Last Ten Fiscal Years Ended June 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
GOVERNMENTAL ACTIVITIES										
Direction and supportive services:										
Department of General Services										
Number of buildings	115	115	115	115	115	115	114	114	114	114
Total pieces of machinery and equipment	141	147	138	144	156	187	152	155	198	188
Capital and Agency projects in design and/or construction (1)	767	647	315	258	231	281	293	310	287	325
Vehicles in fleet	14,542	14,253	14,555	14,674	14,981	15,138	15,375	15,665	15,640	15,836
Protection of persons and property:										
Department of Corrections										
State Correctional Institutions (2)	26	26	26	25	25	25	25	25	24	24
State Police										
Patrol vehicles	2,182	2,182	2,182	2,197	2,282	2,282	2,282	2,322	2,497	2,497
Police stations and/or troop headquarters (2)	26	26	26	26	26	26	26	26	25	25
Department of Military and Veterans Affairs										
Number of National Guard readiness centers (3)	125	121	116	123	122	120	119	116	115	106
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	10
Health and human services:										
Department of Human Services										
Total number of hospital or treatment center complexes (2)	17	17	17	16	16	15	15	15	15	12
Transportation:										
Department of Transportation										
Total pieces of equipment	8,242	8,388	8,559	8,928	9,344	9,481	9,806	9,884	10,104	10,310
Total lane miles of highways (state or locally maintained) (4)	117,760	118,000	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	277	277	277	277	278
Total number of fish hatcheries	15	15	15	15	15	15	15	14	14	14
Historical and Museum Commission										
Museums and historic sites	37	37	34	30	29	28	28	28	26	24
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. Effective July 1, 2022, six universities were consolidated into two newly named universities.

(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, 2023

Appendix

APPENDIX- Legend of Abbreviations

The following legend presents descriptions of abbreviations that appear throughout the report:

<u>ABBREVIATION</u>	<u>DESCRIPTION</u>
ACFR	Annual Comprehensive Financial Report
ACWI	All Country World Index
ARPA	American Rescue Plan Act
BFTDA	Ben Franklin Technology Development Authority
BMP	Best Management Practices
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CFA	Commonwealth Financing Authority
CFP	Charitable Food Program
CIP	Commonwealth Investment Program
CMO	Collateralized Mortgage Obligation
CNIT	Corporate Net Income Tax
CPI	Consumer Price Index
CRIZ	City Revitalization Improvement Zone
CTF	Collective Trust Fund
CU	Component Unit
DC	Defined Contributions
DC-CTF	Defined Contributions Collective Trust Funds
DCED	Department of Community and Economic Development
DCP	Deferred Compensation Program
DDAP	Department of Drug and Alcohol Programs
DGS	Department of General Services
DHS	Department of Human Services
DOR	Department of Revenue
DOT	Department of Transportation
DPCU	Discretely Presented Component Unit
EIO	Educational 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
FMV	Fair Market Value
FPUC	Federal Pandemic Unemployment Compensation
FUA	Federal Unemployment Account
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GEER	Governors Emergency Education Relief
GFOA	Government Finance Officers Association
GO	General Obligation
GSE	Government Sponsored Enterprise
GSI	Geographic Solutions Inc.
GSP	Guaranteed Savings Plan
HDC	Harristown Development Corporation
HOP	Health Options Program
IBNR	Incurred But Not Reported
IDEA	Individuals with Disabilities Education Act
IFPA	Insurance Fraud Prevention Authority
IJA	Infrastructure Investment and Jobs Act

APPENDIX- Legend of Abbreviations

IRA	Inflation Reduction Act
KIZ	Keystone Innovation Zone Program
KOZ	Keystone Opportunity Zone Program
LIBOR	London Interbank Offered Rate
LWA	Lost Wage Assistance Program
MA	Medical Assistance
MBS	Mortgage-Backed Securities
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
NAICS	North American Industry Classification System
NAP	Neighborhood Assistance Program
NAV	Net Asset Value
NIZ	Neighborhood Improvement Zone
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
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
PFAS	Polyfluoroalkyl Substances
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
PIDA	Pennsylvania Industrial Development Authority
PKSO	Pre-Kindergarten Scholarship Organization
PLCB	Pennsylvania Liquor Control Board
PPC	Port of Pittsburgh Commission
PPPs	Public-Private Partnerships
PRPA	Pennsylvania Regional Port Authority
PSDC	Philadelphia Shipyard Development Corporation
PSERS	Public School Employees' Retirement System
PSP	Pennsylvania State Police
PTC	Pennsylvania Turnpike Commission
PUA	Pandemic Unemployment Assistance
PURTA	Public Utility Realty Tax Act
REAP	Resource Enhancement and Protection Tax Credit
REHP	Retired Employees' Health Program

APPENDIX- Legend of Abbreviations

RPSPP	Retired Pennsylvania State Police Program
RSI	Required Supplementary Information
S&P	Standard & Poor's
SBITAs	Subscription Based Information Technology Arrangements
SCC	State Conservation Commission
SEA	Sports and Exhibition Authority
SERS	State Employees' Retirement System
SFR	State Fiscal Recovery
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
SSBCI	State Small Business Credit Initiative
SSHE	State System of Higher Education
STIF	Short-Term Investment Fund
STIP	Short-Term Investment Pool
SWIF	State Workers' Insurance Fund
TRIA	Tamaqua Revitalization & Improvement Authority
UC	Unemployment Compensation
UIT	Unemployment Insurance Trust
USTIF	Underground Storage Tank Indemnification Fund
UTF	Unemployment Compensation Trust Fund
WCSP	Workers' Compensation Security Fund