PENNVEST
PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

(Component Unit
of the
Commonwealth
of Pennsylvania)

FINANCIAL

STATEMENTS

AND

REPORTS OF INDEPENDENT PUBLIC ACCOUNTANTS

For the Years Ended June 30, 2025 and 2024

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

TABLE OF CONTENTS

Certified Public Accountants & Business Advisors
SBC

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON THE AUDIT OF THE FINANCIAL STATEMENTS

Board of Directors
Pennsylvania Infrastructure Investment Authority
Harrisburg, Pennsylvania

Opinions

We have audited the financial statements of the Pennsylvania Infrastructure Investment Authority (PENNVEST), a component unit of the Commonwealth of Pennsylvania, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise PENNVEST's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PENNVEST as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of PENNVEST and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

PENNVEST's 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 controls 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 PENNVEST'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.

1650 Market Street • Suite 3600 • Philadelphia • Pennsylvania 19103 • P 215.665.5749 • F 215.569.8228

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls 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 PENNVEST's internal controls. 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 PENNVEST'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 controls–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 and the schedules of PENNVEST's proportionate share of the net pension and OPEB liabilities and the schedules of PENNVEST's contributions for the net pension and OPEB liabilities be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise PENNVEST's basic financial statements. The schedules and notes for the Federal Clean Water State Revolving Loan Fund and the Federal Drinking Water State Revolving Loan Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules and notes for the Federal Clean Water State Revolving Loan Fund and the Federal Drinking Water State Revolving Loan Fund are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules and notes for the Federal Clean Water State Revolving Loan Fund and the Federal Drinking Water State Revolving Loan Fund are 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 Schedules of Delinquent Loans but does not include the financial statements and our auditor's report thereon. Our opinions on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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.

Certified Public Accountants & Business Advisors
SBC

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 15, 2025 on our consideration of PENNVEST's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering PENNVEST's internal controls over financial reporting and compliance.

Philadelphia, Pennsylvania
October 15, 2025

SB & Company, LLC

This section of Pennsylvania Infrastructure Investment Authority's ("PENNVEST" or "Program") annual financial report presents the Management's Discussion and Analysis ("MD&A") of PENNVEST's financial performance during the fiscal years that ended June 30, 2025 and 2024, with fiscal year 2023 for comparative purposes. It is intended to be read in conjunction with the PENNVEST financial statements and accompanying notes, which follow this section.

FINANCIAL HIGHLIGHTS

In 2025, PENNVEST's Total Net Position increased by $224.8 million. The increase was primarily a result of Total Assets and Deferred Outflows increasing by $174.5 million. The Net Position for the Federal Clean Water Revolving Loan Program Fund increased by $118.7 million, and the Net Position for the Federal Drinking Water Revolving Loan Program Fund increased by $100.3 million in 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, financial statements, and supplemental information. The financial statements also include notes that explain in more detail some of the information in the financial statements. The MD&A serves as an introduction to the basic financial statements and supplementary information and presents management's examination and analysis of PENNVEST's financial condition and performance.

REQUIRED FINANCIAL STATEMENTS

The financial statements of PENNVEST report information about PENNVEST using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

The Statements of Net Position include all PENNVEST's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about investments, revenue bonds, and federal government payments. All the current year's revenues are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the fiscal condition of PENNVEST's operations over the past year and can be used to determine whether PENNVEST has remained creditworthy and in a positive financial order. The final required financial statements are the Statements of Cash Flows.

The primary purpose of these statements is to provide information about PENNVEST's cash receipts and cash disbursements, net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as, where did the cash come from, what was the cash used for, and what was the change in cash balance during the report period.

FINANCIAL ANALYSIS

The issued report provides comparative statements for a three-year period. This presentation enables a reader to determine, by category, the basic analysis of a year's activity.

FINANCIAL ANALYSIS (continued)

The Statements of Net Position, and the Statements of Revenues, Expenses, and Changes in Net Position report information about PENNVEST and provide an excellent examination of position and financial performance.

These two statements report the net position of PENNVEST over the course of three years. Over time, increases or decreases in PENNVEST's net position is one gauge of whether its financial health is improving or deteriorating. This alone will not provide the total picture of financial health but it is a good indicator. Additional information such as the status of assets and liabilities and the reduction in long-term debt will provide a larger picture of the status of fiscal health.

The following table summarizes the net position for fiscal years ended June 30, 2025, 2024 and 2023.

Table 1 (in thousands)
Condensed Statements of Net Position

	2025	2024	2023
Current Assets	**$ 2,031,291**	$ 2,073,231	$ 2,087,827
Noncurrent Assets	**2,901,948**	2,684,282	2,532,261
Total Assets	**4,933,239**	4,757,513	4,620,088
Deferred Outflows	**2,327**	3,552	5,213
Total Assets and Deferred Outflows	**4,935,566**	4,761,065	4,625,301
Current Liabilities	**46,286**	71,167	76,595
Noncurrent Liabilities	**81,317**	106,543	132,423
Total Liabilities	**127,603**	177,710	209,018
Deferred Inflows	**2,340**	2,512	2,338
Total Liabililities and Deferred Inflows	**129,943**	180,222	211,356
Total Net Position	**$ 4,805,623**	$ 4,580,843	$ 4,413,945

The above table provides several financial indicators that depict the fiscal health of PENNVEST. Total Net Position continued its trend of yearly increases in 2025. The Federal Clean Water State Revolving Fund ("CWSRF") has a significant impact on the Total Net Position line, as it represents 57% of the Total Net Position. This reflects the strength of the Federal Clean Water program.

Current Assets decreased by $41.9 million in 2025. The decrease in Current Assets was largely due to decreases in investments to fund loans. Noncurrent Assets increased by $217.7 million in 2025. The increase in Noncurrent Assets was largely due to an increase in approved loans added to the loan portfolio.

FINANCIAL ANALYSIS (continued)

The ability to encumber against future year revenues is critical for a revolving program. Noncurrent Loans Receivable, Gross, are those future loans that are due in more than one year. The Noncurrent Asset total is reduced by the Allowance for Loan Losses which is $40.9 million for the year ended June 30, 2025.

Current Liabilities decreased in 2025 by $24.9 million; driven by decreased value of security lending obligations of $17.0 million.

Noncurrent Liabilities decreased in 2025 by $25.2 million. The decrease is primarily the result debt service payments on outstanding General Obligation bonds and due to Commonwealth of Pennsylvania.

OPERATING REVENUES AND EXPENSES

The Program has not received Commonwealth appropriations for operations since 1996. The cost of the Program has been funded from investment earnings, the repayment of loans, other federal and state funding (included in this line item are Marcellus Legacy Fund and Environmental Stewardship Fund monies), capital contributions from federal capitalization grants provided by the Environmental Protection Agency ("EPA") and reimbursement of allowable federal administrative expenses.

Table 2 (in thousands)

Condensed Statements of Operating Revenues and Expenses

	2025	2024	2023
Operating Revenues:			
Interest on loan receivables	**$ 37,663**	$ 35,651	$ 34,943
Other Federal and state	**192,005**	108,342	66,975
Total Operating Revenues	**229,668**	143,993	101,918
Provision (Recovery) of loan losses	**17,224**	381	(77)
Net Operating Revenues	**212,444**	143,612	101,841
Operating Expenses:			
Administration	**(28,777)**	(21,249)	(22,068)
Grants/"principal forgiveness" to program participants	**(133,098)**	(116,487)	(106,709)
Total Operating Expenses	**(161,875)**	(137,736)	(128,777)
Nonoperating Revenues, net	**122,108**	109,887	63,960
Capital Contributions	**52,103**	51,135	67,414
Increase in Net Position	**$ 224,780**	$ 166,898	$ 104,438

<u>OPERATING REVENUES AND EXPENSES</u> (continued)

The Operating Revenues (as shown in Table 2), in 2025 were driven by the Other Federal and State Operating Grants of $192.0 million, and interest repayments on loans of $37.7 million.

The Total Operating Expenses (as shown in Table 2) increased by $24.1 million in 2025. Increases in the amount disbursed as grants to program participants primarily accounted for this increase. The Total Operating Expense increase was offset by a $12.2 million increase in Nonoperating Revenues (primarily comprised of investment income/(loss)) as a primary driver for the Program increase in Total Net Position.

Table 3 examines the loan loss allowance for each of the loan portfolios of PENNVEST. The loan loss is an allowance in the Statements of Net Position, which reflects the amount which, in management's judgment, establishes an adequate allowance to report possible losses on loans.

Table 3 (in thousands)
Loan Loss Allowance

Loan Loss Allowance	2025	2024	2023
CWSRF	**$ 22,486**	$ 12,575	$ 12,279
DWSRF	**3,674**	2,042	1,900
State and Revenue Bonds	**14,831**	9,150	9,207
Total program	**$ 40,991**	$ 23,767	$ 23,386

Table 4 depicts the PENNVEST loan portfolios, excluding On-Lot Loans, by risk code classification. Overall, the risk assessment of the loan portfolio remains good. The largest dollar changes year over year occurred in the Non-Speculative project rating and the Speculative rating. In 2025, the risk code for Non-Speculative increased by $115.0 million and the risk code for Speculative increased by $129.1 million. The total for the Non-Speculative risk code represented $2.26 billion or 71% of the portfolio. This indicates less overall credit risk in the PENNVEST loan portfolio.

Table 4 (in thousands)
Loan Portfolio by Risk

Risk Codes	2025	2024	2022
Speculative	**$ 839,872**	$ 710,820	$ 564,632
Concern High Rate Impact	**66,320**	46,771	72,665
Concern Service User	**1,158**	690	833
Non-Speculative	**2,264,360**	2,149,351	2,110,157
Total Loan Portfolio	**$ 3,171,710**	$ 2,907,632	$2,748,287

REVENUES

As PENNVEST is a Revolving Loan Program, it is essential that loan repayments be made in a timely manner. Over 99.759% of all loans in the PENNVEST portfolio are submitting repayments electronically, with the electronic funds transfer program offered, under the Automatic Clearing House (ACH) system; however, funds must be available for payment in the borrowers' accounts. By all accounts, the PENNVEST ACH system is working and funds are available for repayment. Table 5 illustrates the loan receipts by the different loan portfolios of PENNVEST.

As can be observed from Table 5, loan receipts vary for each of the PENNVEST portfolios. These receipts are categorized as deposits that do not include any transfers. The CWSRF Program had the largest dollar collection of $107.4 million or 52% of the total collected in 2025. The CWSRF is a major portfolio in the PENNVEST program.

Table 5 (in thousands)
Loan Principal Receipts from Customers

Loan Principal Receipts	2025	2024	2023
CWSRF Federal Loans	**$ 107,408**	$ 99,789	$ 101,164
DWSRF Federal Loans	**49,529**	45,424	42,405
State and Revenue Bond Loans	**47,951**	42,877	42,482
Total	**$ 204,888**	$ 188,090	$ 186,051

Table 6 is an illustration of the PENNVEST disbursements to customers. The total disbursement of $474.9 million reflects an increase of $127.6 million from 2024. The CWSRF Federal disbursements accounted for the largest category of disbursements, making up 45% of the Total Disbursements in 2025.

Table 6 (in thousands)
Loan Principal Disbursements to Customer

Loan Principal Disbursements	2025	2023	2022
CWSRF Federal Loans	**$ 212,195**	$ 180,507	$ 132,726
DWSRF Federal Loans	**198,428**	123,195	96,833
State and Revenue Bond Loans	**64,314**	43,578	42,100
Total	**$ 474,937**	$ 347,280	$ 271,659

LONG-TERM DEBT ADMINISTRATION

As of June 30, 2024, PENNVEST had $73.7 million of revenue bond debt. Revenue Bonds Payable decreased in 2024 by $9.3 million from the previous year due to debt service payments.

As of June 30, 2025, PENNVEST had $63.9 million of revenue bond debt. Revenue Bonds Payable decreased in 2025 by $9.7 million from the previous year due to debt service payments. The following is a summary of Revenue Bond activity for the 2024-2025 fiscal year.

Table 7 (in thousands)

	2025	2024
Outstanding debt, beginning of year	**$ 73,718**	$ 83,052
Less: Principal payments	**(8,485)**	(8,080)
Net change in amortized premium	**(1,254)**	(1,254)
Outstanding debt, end of year	**$ 63,979**	$ 73,718

See Notes 6 and 7 to the financial statements for detailed descriptions of the outstanding debt and the current year activity.

FUTURE PROGRAMS UNDER DEVELOPMENT

Trust Indenture

PENNVEST entered into a Federal SRF Trust Indenture and First Supplemental Trust agreements and issued $50 million in SRF Revenue Bonds in January 2018. These indentures allow for the issuance of revenue bonds, commercial paper, and implementation of a loan/bond guarantee program. It is cross-collateralized with both the CWSRF and DWSRF. Zion's Bank was selected as the Trustee.

Loan Guarantee Program

During 2019-2020, PENNVEST continued developing a Loan Guarantee program to supplement its loan program. This allows PENNVEST to provide further assistance to the borrowers when the cost of the project is more than PENNVEST can lend. The Loan Guarantee allows the borrowers to find private financing for the balance of a project with a reduced interest rate.

FUTURE PROGRAMS UNDER DEVELOPMENT (continued)

Riparian Buffer Initiative

The 2019-2020 fiscal year brought the final series of approvals for this program to establish forest buffers within the Chesapeake Bay watershed to help to meet the Commonwealth obligation to reduce sediment, nitrogen and phosphorus in the Chesapeake Bay. The expectation is that PENNVEST can collect business model related information in as few as three years after installation.

Sublevel Revolving Loan Program

PENNVEST Board of Directors approved PENNVEST Board Resolution 2023-3, authorizing PENNVEST to establish a PENNVEST Sublevel Revolving Loan Program (SLRLP). The Resolution made $50M available to PENNVEST as an investment in the program. Under the SLRLP, counties, municipal authorities, council of governments, or other regional entities, can apply for 'seed' funding to establish a revolving loan program to fund eligible clean water projects at the sub-state level. The thought is that regional entities will have staff that are better situated to reach potential funding recipients in their areas who have smaller projects eligible for funding by PENNVEST.

CONTACTING PENNVEST'S DIRECTOR OF FINANCIAL MANAGEMENT

This financial report is designed to provide bondholders, investors, creditors, and federal and state agencies with a general overview of PENNVEST's finances and to demonstrate PENNVEST's accountability as a governmental agency. If you have any questions about this report or need additional financial information, contact Steven Anspach, Executive Director of Financial Management, PENNVEST, 333 Market Street, 18th Floor, Harrisburg, PA 17101.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2025 AND 2024
(In Thousands)

	2025	2024
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 358,286**	$ 274,703
Investments	**1,406,894**	1,542,768
Investment - securities lending collateral	**19,739**	36,775
Loans receivable	**228,771**	199,583
Accounts receivables, net	**2,796**	3,670
Accrued interest receivable	**5,718**	5,223
Due from Commonwealth of Pennsylvania	**3,828**	625
Due from federal government	**5,259**	9,884
Total Current Assets	**2,031,291**	2,073,231
Noncurrent Assets:		
Loans receivable	**2,942,939**	2,708,049
Allowance for loan losses	**(40,991)**	(23,767)
Total Noncurrent Assets, net	**2,901,948**	2,684,282
TOTAL ASSETS	**4,933,239**	4,757,513
DEFERRED OUTFLOWS OF RESOURCES		
Pension	**1,588**	2,497
Other Post Employment Benefits (OPEB)	**739**	1,055
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$ 2,327**	$ 3,552

See the accompanying notes to these financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
STATEMENTS OF NET POSITION, Continued
JUNE 30, 2025 AND 2024
(In Thousands)

	2025	2024
LIABILITIES		
Current Liabilities:		
Accounts payable	**$ 1,029**	$ 7,663
Due to Commonwealth of Pennsylvania	**16,468**	18,102
Securities lending obligation	**19,739**	36,775
Compensated absences	**140**	142
Current portion of revenue bonds payable	**8,910**	8,485
Total Current Liabilities	**46,286**	71,167
Noncurrent Liabilities:		
Due to Commonwealth of Pennsylvania	**14,093**	28,046
Compensated absences	**793**	695
Noncurrent revenue bonds payable, net	**55,069**	65,233
Net pension liability	**8,473**	9,420
Net OPEB liability	**2,889**	3,149
Total Noncurrent Liabilities	**81,317**	106,543
TOTAL LIABILITIES	**127,603**	177,710
DEFERRED INFLOWS OF RESOURCES		
Pension	**607**	327
OPEB	**1,733**	2,185
TOTAL DEFERRED INFLOWS OF RESOURCES	**2,340**	2,512
NET POSITION		
Restricted		
Federal clean water revolving loan program	**2,727,630**	2,608,945
Federal drinking water revolving loan program	**1,212,552**	1,112,265
Total Restricted	**3,940,182**	3,721,210
Unrestricted	**865,441**	859,633
TOTAL NET POSITION	**$ 4,805,623**	$ 4,580,843

See the accompanying notes to these financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024
(In Thousands)

	2025	2024
OPERATING REVENUES:		
Interest and fee income on loans	**$ 37,663**	$ 35,651
Other Federal and state grants	**192,005**	108,342
OPERATING REVENUES BEFORE PROVISION FOR LOAN LOSS	**229,668**	143,993
Provision of loan losses	**17,224**	381
NET OPERATING REVENUES	**212,444**	143,612
OPERATING EXPENSES:		
Administration	**28,777**	21,249
Grants/"principal forgiveness" to program participants	**133,098**	116,487
TOTAL OPERATING EXPENSES	**161,875**	137,736
OPERATING INCOME	**50,569**	5,876
NONOPERATING REVENUES (EXPENSES):		
Investment income	**124,094**	112,423
Interest and amortization expense	**(1,986)**	(2,536)
NONOPERATING REVENUES, NET	**122,108**	109,887
CAPITAL CONTRIBUTIONS		
Other Federal and state	**52,103**	51,135
TOTAL CAPITAL CONTRIBUTIONS	**52,103**	51,135
INCREASE IN NET POSITION	**224,780**	166,898
NET POSITION, BEGINNING OF YEAR	**4,580,843**	4,413,945
TOTAL NET POSITION, END OF YEAR	**$ 4,805,623**	$ 4,580,843

See the accompanying notes to these financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024
(In Thousands)

	2025	2024
Cash Flows from Operating Activities:		
Loan receipts from borrowers	**$ 248,027**	$ 224,155
Loan disbursements to borrowers	**(474,937)**	(347,280)
Payments for goods and services	**(35,469)**	(23,731)
Grants/"principal forgiveness" to program participants	**(133,098)**	(116,487)
Other Federal and state receipts	**197,504**	108,342
Net Cash from Operating Activities	**(197,973)**	(155,001)
Cash Flows from Capital Financing Activities:		
Other Federal and state capital contributions	**52,103**	51,135
Advances to Commonwealth of Pennsylvania	**-**	3,736
Repayment of bonds payable	**(8,485)**	(8,080)
Repayment of due to Commonwealth of Pennsylvania	**(13,953)**	(13,713)
Payment of interest on bonds payable	**(1,986)**	(2,536)
Net Cash from Capital Financing Activities	**27,679**	30,542
Cash Flows from Investing Activities:		
Activity from depositories	**124,094**	112,423
Net purchases of State Treasury Commonwealth Investment Pool	**132,834**	69,202
Net Cash from Investing Activities	**256,928**	181,625
Increase (Decrease) in Cash and Cash Equivalents	**86,634**	57,166
Cash and Cash Equivalents, Beginning of Year	**274,703**	217,537
Cash and Cash Equivalents, End of Year	**$ 361,337**	$ 274,703

See the accompanying notes to these financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
STATEMENTS OF CASH FLOWS, Continued
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024
(In Thousands)

	2025	2024
Reconciliation of operating income to net cash from operating activities:		
Operating income	**$ 50,569**	$ 5,876
Adjustments to reconcile operating income to net cash (used in)/provided by operating activities		
Provision of loan losses	**17,224**	(381)
Amortization of bond premium	**-**	(876)
Effect of changes in non-cash operating assets and liabilities:		
Loan receivable, gross	**(264,078)**	(158,961)
Accrued interest receivable	**(495)**	(351)
Accounts receivables, net	**874**	728
Due to/from Federal government	**4,625**	(6,399)
Deferred outflow	**1,225**	1,661
Accounts payable	**(6,634)**	5,879
Accrued compensated absences	**96**	(39)
Net pension liability	**(947)**	(1,231)
Net OPEB liability	**(260)**	(1,081)
Deferred inflow	**(172)**	174
Total adjustments	**(248,542)**	(160,877)
Net Cash from Operating Activities	**$ (197,973)**	$ (155,001)

See the accompanying notes to these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pennsylvania Infrastructure Investment Authority ("PENNVEST") is an instrumentality of the Commonwealth of Pennsylvania ("Commonwealth") created by Act 16 of the General Assembly in March of 1988 (the "PENNVEST Act"). The purpose of PENNVEST is to finance long-term, low-interest loans for corporations, partnerships, sole proprietorships, non-profit organizations, authorities, and municipalities for repair, construction, reconstruction, rehabilitation, extension, and improvement of drinking water, storm water, and wastewater systems. PENNVEST's On-Lot Program provides funding for the improvement of septic systems. PENNVEST is funded through revenue bonds, federal grants, Commonwealth appropriations, Commonwealth general obligation bonds, and the use of recycled loan repayments.

A governing body of thirteen members, administers the operations of PENNVEST. The Chairman of the governing body is the Governor or the Governor's designee. Other members include cabinet secretaries, legislators, and local government leaders, as well as representatives of the engineering community and the drinking water and wastewater industries.

PENNVEST, which is a component unit of the Commonwealth reporting entity, is presented as an Enterprise Fund on the accrual basis of accounting. Criteria considered in making this determination include the Commonwealth's appointment of PENNVEST's Board and the Commonwealth's ability to impose its will on PENNVEST.

Measurement Focus and Basis of Accounting

PENNVEST's activities are accounted for on a cost of services or "capital maintenance" approach under the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with its activities are included on its statement of net position. The operating statements present increases (revenues) and decreases (expenses) in total net position.

PENNVEST utilizes the accrual basis of accounting wherein revenues are recognized in the period earned and expenses are recognized when they are incurred.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of PENNVEST. Operating revenues consist primarily of interest on loans receivable, and federal and state grants received for the purpose of providing grants or "principal forgiveness" to program participants. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities, such as investment income/loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

When an expense is incurred for purposes for which there are both restricted and unrestricted resources available, it is PENNVEST's policy to apply those expenses to restricted resources to the extent that they are available and then to unrestricted resources.

The accounting and reporting policies of PENNVEST conform to the accounting rules prescribed by the Governmental Accounting Standards Board ("GASB").

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, PENNVEST considers all highly liquid investments with an initial maturity of three months or less at the time of purchase to be cash equivalents.

Investments

Investments are stated at fair value based on quoted market values.

Capital Contributions

Capital contributions represent contributions from the Commonwealth of Pennsylvania and the Federal government for the loan programs.

Allowance for Loan Losses

The allowance for loan losses is used to report possible future losses on loans outstanding. Loan losses and recoveries of previously charged-off loans are charged or credited directly to the allowance for loan losses. The provision for loan losses, which is charged to current operations, reflects the amount, which in management's judgment establishes an adequate allowance to report possible losses on loans. Management's judgment is based upon a continuing review of the loan portfolio, past collection experience, and current economic conditions. While management uses available information to recognize losses on loans, future adjustments to the allowance may be necessary based on changes in economic conditions.

Investment/Interest Income

Interest income on investment securities is recorded when earned. Interest income on loans is accrued based on methods that result in a constant yield when related to the principal amounts outstanding.

1. SUMMARY OF SIGNIFICANT ACCOUTING POLICIES (continued)

Restricted Net Position

Restricted net position represents net position that is restricted for revolving loans in the Federal Revolving Clean Water and Drinking Water Programs.

Use of Estimates

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

Deferred Outflows/Inflows of Resources

The Statements of Net Position report a separate section for deferred outflows and inflows of resources. These separate financial statement elements represent consumption/acquisition of net position that applies to future periods, and so will not be recognized as an outflow/inflow of resources until then. PENNVEST has two items that qualifies for reporting in this category: deferred outflows/inflows related to pension and other post-employment benefits.

Postemployment Benefits Other Than Pensions (“OPEB”)

For purposes of measuring the PENNVEST’s OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Commonwealth’s Retired Employees Health Plan (“REHP”) and additions to/deductions from the REHP’s fiduciary net position have been determined on the same basis as they are reported in the Commonwealth’s Annual Comprehensive Financial Report (“ACFR”). For this purpose, the REHP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. DEPOSIT AND INVESTMENT RISK

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 deposit, fully insured or collateralized; certain commercial paper and repurchase agreements; highly rated bank promissory notes or investment funds or trusts; and “prudent man” investments as determined by PENNVEST’s depository (i.e. Commonwealth Treasury Department).

The majority of PENNVEST’s investments are invested in the Common Investment Pool of the Commonwealth which is managed by the Commonwealth’s Treasury Department (the “Treasury Department”).

2. DEPOSIT AND INVESTMENT RISK (continued)

The deposit and investment policies of the Treasury Department are governed by Sections 301, 301.1, 301.2 and 505 of the Pennsylvania Fiscal Code (Act of 1929 P.L. 343).

Treasury deposits must be held in insured depositories approved by the Board of Finance and Revenue and must be fully collateralized. The Pennsylvania Fiscal Code grants the Treasury Department the authority to invest in any deposits and investments. This authority is subject, however, to the exercise of full judgment and care under the prevailing circumstances. Persons of prudence, discretion, and intelligence familiar with such matters in regard to the permanent disposition of the funds need to consider the probable income to be derived therefrom, as well as the probable safety of the capital.

The Treasury Department manages the Commonwealth Investment Program ("CIP"). The Treasury Department is required to exercise careful judgment 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 pool structure invests in both equity securities and fixed income securities to achieve the investment objectives of the funds of the CIP. Asset allocation targets among cash, equity securities, fixed income securities and alternatives are established in order to meet these overall objectives.

The Treasury Department has created two separate pools 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 investment risk tolerance. A highly liquid vehicle, Pool 99, consists of short-term fixed income and cash and provides a high degree of liquidity and security but only modest returns. A less liquid vehicle, Pool 198, allows for investment in assets that offer potentially higher returns with commensurate risk.

As of June 30, 2025 and 2024, PENNVEST's investments, excluding securities lending balances (see below), held in the Commonwealth investment pools, were $1,406,894 and $1,542,768, respectively.

As of June 30, 2025 and 2024, PENNVEST also had bank balances of cash and cash equivalents in the amount of $358,286 and $274,703, respectively. These balances were collateralized with securities held by the pledging financial institution's trust department or agent but not in the PENNVEST's name.

2. DEPOSIT AND INVESTMENT RISK (continued)

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 securities and United States Treasury and foreign debt obligations. For securities lent which are not denominated in United States dollars or whose primary trading market is located outside the United States, the fair value of the collateral received must be at least 105 percent 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 percent. Practically all collateral received consists of cash. A small portion of collateral received consists of letters of credit, United States Treasury, and 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.

To the extent collateral received consists of cash, the lending agent may use or invest the cash in accordance with reinvestment guidelines approved by the Treasury Department. Either the participant or the borrower may terminate lending agreements on demand. Lending agreements are typically of very short duration – usually overnight. Therefore, the duration of lending agreements do not generally match the maturities of the investments made with cash collateral.

The resulting rate risk is mitigated by the lending agent's ability to reallocate lending agreements 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.

2. DEPOSIT AND INVESTMENT RISK (continued)

During the fiscal years ended June 30, 2025 and 2024, 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 amounts of the loans that could be made.

As of June 30, 2025 and 2024, there was no Treasury Department or participant credit risk because the fair value of collateral received was not less than the fair value of the securities lent. As of June 30, 2025 and 2024, PENNVEST's portion of securities lending collateral within the Commonwealth Investment Pool was $19,739 and $36,775, respectively.

3. FAIR VALUE MEASUREMENTS

PENNVEST categorizes its fair value measurements 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; and Level 3 inputs are significant unobservable inputs. There were no Level 1 or Level 3 investments as of June 30, 2025 and 2024.

PENNVEST has the following recurring fair value measurements:

- Level 2 – Commonwealth Investment Program Pool 99 ("Pool 99") of $243,624 and $404,026, as of June 30, 2025 and 2024, respectively, were valued using a share-based valuation structure (net asset value). Pool 99 seeks to maintain a stable net asset value per share of $1. Pool 99 performance is benchmarked against the yield on Merrill Lynch three-month United States Treasury Bill Index.

- Level 2 – Commonwealth Investment Program Pool 198 ("Pool 198") of $1,163,270 and $1,138,742, as of June 30, 2025 and 2024, respectively, were valued using a share-based valuation structure (net asset value). Pool 198 is benchmarked to a blend of Standards and Poor's 500, Morgan Stanley Capital International All County World Index Ex-U.S., Barclays Capital U.S. Aggregate Bond, and Merrill Lynch 6-month U.S. Treasury Bill Indices.

PENNVEST has loans outstanding throughout the Commonwealth. The eleven largest loans amount to 17% and 16%, of gross loans receivable as of June 30, 2025 and 2024, respectively. The majority of loans are disbursed to municipal governments of the Commonwealth and are collateralized by a pledge of the general taxing powers of the municipal governments or revenue streams generated by the municipal governments.

(In Thousands Except for Percentages)

4. LOANS RECEIVABLE

PENNVEST currently provides loans for projects which are expected to lead to an effective solution to problems experienced with drinking water, wastewater treatment, or storm water systems. The term of loans is normally between 20 and 30 years. The minimum interest rate on a loan is 1.00%. Detailed guidelines are established in the PENNVEST Act for the maximum interest rate. The actual interest rates ranged from 1.00% to 3.73% as of June 30, 2025 and 2024.

As of June 30, 2025 and 2024, PENNVEST had approved approximately $1,770,619 and $1,788,395, respectively, of loan funds that had not yet been disbursed. The monies needed to fund these loans will be generated from contributions by the Federal government or the Commonwealth of Pennsylvania revenue bonds and principal repayments on existing loans.

Loans receivable, gross, as of June 30, 2025 and 2024, are as follows:

	2025	2024
Current portion	**$ 228,771**	$ 199,583
Noncurrent portion	**2,942,939**	2,708,049
Total loans receivable, gross	**$ 3,171,710**	$ 2,907,632

5. ALLOWANCE FOR LOAN LOSSES

Changes in allowance for loan losses during years ended June 30, 2025 and 2024, are as follows:

	2025	2024
Balance, beginning of year	**$ 23,767**	$ 23,386
Provision of loan losses	**17,224**	381
Balance, end of year	**$ 40,991**	$ 23,767

6. REVENUE BONDS PAYABLE

In June 2015, PENNVEST issued Revenue Bonds Series 2015A in the amount of $65,000. The Bonds were issued at a premium of $8,257. The proceeds of the bonds were used to pay at maturity on July 1, 2015 the aggregate principal amount of PENNVEST's Tax-Exempt Commercial Paper Revenue Notes, Series 2010A, plus accrued interest, and pay the costs of issuing the 2015 Bonds.

(In Thousands Except for Percentages)

6. REVENUE BONDS PAYABLE (continued)

In January 2018, PENNVEST issued State Revolving Funds ("SRF") Bond Series 2018A in the amount of $50,000. The Bonds were issued at a premium of $8,387. The proceeds of the 2018 RF bonds, together with other available funds, was applied (i) to finance costs of certain wastewater and drinking water projects for governmental entities and other eligible borrowers pursuant to the PENNVEST Leveraged State Water Pollution Control Revolving Fund Program (Clean Water SRF Program) and the PENNVEST Leveraged State Drinking Water Revolving Fund Program (Drinking Water SRF Program), and (ii) to pay the costs of issuing the 2018 SRF Bonds.

Changes in revenue bonds payable for the fiscal years ended June 30, 2025 and 2024, are as follows:

Series	Balance as of July 1, 2024	Additions	Reductions	Balance as of June 30, 2025	Amounts Due within One Year
2015A Revenue Bonds	$ 42,854	$ -	$ 3,150	$ 39,704	$ 3,310
2018A SRF Bonds	22,990	-	5,335	17,655	5,600
Bond Premium	7,874	-	1,254	6,620	-
Total	$ 73,718	$ -	$ 9,739	$ 63,979	$ 8,910

Series	Balance as of July 1, 2023	Additions	Reductions	Balance as of June 30, 2024	Amounts Due within One Year
2015A Revenue Bonds	$ 45,854	$ -	$ 3,000	$ 42,854	$ 3,150
2018A SRF Bonds	28,070	-	5,080	22,990	5,335
Bond Premium	9,128	-	1,254	7,874	-
Total	$ 83,052	$ -	$ 9,334	$ 73,718	$ 8,485

Information regarding revenue bonds issued is presented below:

Year of Issue	Amount of Original Issue	Maturity	Interest Rate	Purpose
2015	$ 65,000	2035	3.38% to 5.00%	To pay at maturity as of July 1, 2015, the Series 2010A Commercial Paper Revenue Notes, and to pay debt issuance costs.
2018	$ 50,000	2028	5.00%	To finance costs of certain wastewater and drinking water projects.

(In Thousands Except for Percentages)

6. REVENUE BONDS PAYABLE (continued)

A summary of debt service requirements (payable semi-annually) as of June 30, 2025, are as follows:

Years Ending June 30,	Principal	Interest	Total
2026	$ 8,910	$ 2,627	$ 11,537
2027	9,320	2,182	11,502
2028	9,750	1,716	11,466
2029	3,720	1,228	4,948
2030	3,870	1,042	4,912
2031-2035	21,789	3,577	25,366
Total	$ 57,359	$ 12,372	$ 69,731

Under the terms of the debt issue described above, PENNVEST is required to maintain certain balances in restricted trust accounts, make timely payments to the trustee accounts, and pledge loans that provide cash flow necessary to service debt (short-term obligations and revenue bonds payable). The SRF trust indentures contain a provision that in an event of default of debt, outstanding amounts become immediately due if PENNVEST is unable to make payments.

7. DUE TO THE COMMONWEALTH OF PENNSYLVANIA

In April 2013, a Commonwealth bond issue was closed in which $90,000, of bonds were issued for PENNVEST loans under the 1992 Referendums. Net proceeds from the bonds were $102,677, including a premium of $12,677. The net proceeds received by PENNVEST will be repaid quarterly on January 1, April 1, July 1, and October 1 to the Commonwealth over a 20-year term with a 1% interest rate.

In October 2011, a Commonwealth bond issue was closed in which $46,000, of bonds were issued for PENNVEST loans under the 1992 Referendums. Net proceeds from the bonds were $51,826, including a premium of $5,826. The net proceeds received by PENNVEST will be repaid quarterly on February 1, May 1, August 1, and November 1 to the Commonwealth over a 20-year term with a 1% interest rate.

In June 2007, a Commonwealth bond issue was closed in which $15,000, of bonds were issued for PENNVEST loans under the 1992 Referendums. Net proceeds from the bonds were $14,764, including a discount of $196, and underwriters insurance costs of $40. The net proceeds received by PENNVEST will be repaid semi-annually on May 1 and November 1 to the Commonwealth over a 20-year term with a 1% interest rate.

(In Thousands Except for Percentages)

7. DUE TO THE COMMONWEALTH OF PENNSYLVANIA (continued)

In December 2006, a Commonwealth bond issue was closed in which $50,000, of bonds were issued for PENNVEST loans under the 1992 Referendums. Net proceeds from the bonds were $52,877, including a premium of $2,937, and underwriters insurance costs of $60. The net proceeds received by PENNVEST will be repaid quarterly on February 1, May 1, August 1, and November 1 to the Commonwealth over a 20-year term with a 1% interest rate.

In December 2005, a Commonwealth bond issue was closed in which $50,000, of bonds were issued for PENNVEST loans under the 1988 and 1992 Referendums. Net Proceeds from the bonds were $53,334, including a premium of $3,413, and underwriters insurance costs of $79. Of the net proceeds received by PENNVEST, $24,727, was a contribution of capital that does not have to be repaid and $28,607, must be repaid quarterly on February 1, May 1, August 1, and November 1 to the Commonwealth over a 20-year term with a 1% interest rate.

A summary of the required payments as of June 30, 2025 are as follows:

	Principal	Interest	Total
2026	$ 13,953	$ 228	$ 14,181
2027	14,093	88	14,181
Total	$ 28,046	$ 316	$ 28,362

8. CAPITAL CONTRIBUTIONS

The Commonwealth of Pennsylvania has authorized the issuance of a total of $1,430,256, of general obligation bonds and appropriated the proceeds to PENNVEST for the improvement of water and sewer systems in the Commonwealth. Proceeds include $230,256, approved by the electorate in 1981, $300,000, approved by the electorate in 1988, $350,000, approved by the electorate in 1992, $150,000, under the provisions of P.L. 343No. 176 as authorized by the PENNVEST Act of 1988, and $400,000, approved by the electorate in 2008. PENNVEST is authorized to utilize the proceeds for loans to borrowers. All but $300,000 of the proceeds are considered to be revolving, as such, the principal and interest received on the loans are not required to be repaid to the Commonwealth. The balance of the proceeds, also used for loans to borrowers, ultimately received from the bond issues will require repayment as described in Note 7.

(In Thousands Except for Percentages)

8. CAPITAL CONTRIBUTIONS (continued)

PENNVEST has also received approval for $2,156,131 and $1,500,612, in Federal loan funds for water pollution control and drinking water, respectively, as of June 30, 2025. Of the $2,156,131 and $1,500,612, approved, $1,954,638 and $963,664, respectively, have been received as of June 30, 2025. For the period July 1, 2024 through June 30, 2025, $68,952 and $137,921 of Federal funds were received for water pollution control and drinking water, respectively. The State match for water pollution control and drinking water programs for the period July 1, 2024 through June 30, 2025, was $24,484 and $18,241, respectively. These funds have or will be utilized to make loans and the proceeds from repayments can be utilized to make new loans in the future.

The required cumulative State match for the disbursed Federal loan funds for water pollution control and drinking water as of June 30, 2025, was $411,547 and $184,721, respectively. As of June 30, 2025, $411,547 and $184,721, was the cumulative State match on disbursed loans for water pollution control and drinking water, respectively. All State match must be funded by the end of the award period.

The required cumulative State match for the disbursed Federal loan funds for water pollution control and drinking water as of June 30, 2024, was $387,063 and $166,480, respectively. As of June 30, 2024, $387,063 and $166,480, was the cumulative State match disbursed on loans for water pollution control and drinking water, respectively. All State match must be funded by the end of the award period.

PENNVEST has been authorized by the PENNVEST Act to make grants to participants in the loan programs, if deemed necessary, to financially assist the community. As of June 30, 2025 and 2024, PENNVEST has authorized unfulfilled grant commitments of $55,330 and $43,943, respectively, remaining.

For the years ended June 30, 2025 and 2024, state capital contributions were $27,944 and $28,374, respectively. State funded grants disbursed to program participants of $15,780 and $14,086 are reported, for the years ended June 30, 2025 and 2024, respectively.

9. RELATED-PARTY TRANSACTIONS

PENNVEST contracts for services necessary to carry out its operations from various Commonwealth of Pennsylvania departments and agencies. PENNVEST paid the following departments and agencies for accounting services and loan project technical assistance during the fiscal years ended June 30, 2025 and 2024:

	2025	2024
Office of Comptroller Operations	$ 497	$ 403
Department of Environmental Protection	2,818	1,973

10. LITIGATION

PENNVEST is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on PENNVEST's financial position.

11. RETIREMENT BENEFITS

General Information about the Pension Plan

Plan Description

Substantially all employees of PENNVEST participate in the Pennsylvania State Employees' Retirement System ("SERS"), a cost-sharing multiple-employer defined benefit pension plan established by the Commonwealth to provide pension benefits for employees of State government and certain independent agencies. Membership in SERS is mandatory for most PENNVEST (and other State) employees. Article II of the Commonwealth's constitution assigns the authority to establish and amend the benefit provision of the plan to the General Assembly. SERS issues a publicly available financial report that can be obtained at www.sers.pa.gov.

Benefits Provided

SERS provides retirement, death, and disability benefits. Member retirement benefits are determined by taking years of credited service, multiplied by final average salary, multiplied by 2%, and multiplied by class of service multiplier. PENNVEST employees participate in one of the following classes of service categories: Class A, Class AA, Class A-3 or Class A-4. According to the State Employees' Retirement Code ("SERC"), all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

Contributions

Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS funding valuation, expressed as a percentage of annual retirement covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. In fiscal year 2017 and 2018, the Commonwealth paid the full actuarially required rate after being collared in previous years due to Act 2010-20.

(In Thousands Except for Percentages)

11. RETIREMENT BENEFITS (continued)

Contributions (continued)

Contributions to the pension plan from PENNVEST were $1,060 and $1,055, for the fiscal years ended June 30, 2025 and 2024, respectively.

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

As of June 30, 2025 and 2024, PENNVEST reported a liability of $8,473 and $9,420, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. PENNVEST's proportion of the net pension liability was based on a projection of PENNVEST's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined.

As of December 31, 2024 and 2023, PENNVEST's proportion was 0.042 and 0.045 percent, respectively.

For the fiscal years ended June 30, 2025 and 2024, PENNVEST recognized pension expense of $1,161 and $1,372, respectively.

As of June 30, 2025 and 2024, PENNVEST reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2025	**2024**	**2025**	**2024**
Differences between expected and actual experience	**$ 384**	$ 266	**$ 9**	$ 19
Net difference between projected and actual investment earnings on pension plan investments	**249**	740	**-**	-
Changes in proportion	**229**	519	**591**	296
Changes in assumptions	**149**	406	**-**	-
Differences between PENNVEST contributions and proportionate share of contribution	**36**	20	**7**	12
PENNVEST contributions subsequent to measurement date	**541**	546	**-**	-
Total	**$ 1,588**	$ 2,497	**$ 607**	$ 327

(In Thousands Except for Percentages)

11. RETIREMENT BENEFITS (continued)

The $541 and $546, reported as deferred outflows of resources related to pension resulting from PENNVEST contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2025 and 2024, respectively. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2025	**301**
2026	**549**
2027	**(201)**
2028	**(86)**
2029	**(123)**
Total	**$ 440**

Actuarial Assumptions

The following methods and assumptions were used in the December 31, 2023 and 2022, actuarial valuations. These methods and assumptions did not change from prior year and were applied to all periods included in the measurement:

Actuarial method	Entry age
Investment rate of return	6.875%, net of manager fees including inflation
Projected salary increases	Average of 4.58% with range of 3.30% -6.95% including inflation
Inflation	2.50%
Mortality rate	Projected PubG-2010 and PubNS-2010 Mortality Tables adjusted for actual plan experience and future improvement
Cost of living adjustments	Ad hoc

Some of the methods and assumptions mentioned above are based on the *19th Investigation of Actuarial Experience*, which was published in March 2016, and analyzed experience from 2015 through 2019. The Commonwealth's actuary made recommendations with respect to the actuarial assumptions and methods based on their analysis.

(In Thousands Except for Percentages)

11. RETIREMENT BENEFITS (continued)

The long-term expected real rate of return on pension plan investments is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2024 and 2023, are summarized in the following table:

	December 31, 2024		December 31, 2023	
Asset Class	**Target Allocation**	**Long-term Expected Rate of Return**	**Target Allocation**	**Long-term Expected Rate of Return**
Private Equity	16%	6.00%	16%	5.75%
Private credit	0%	0.00%	0%	0.00%
Real Estate	7%	4.80%	7%	5.12%
U.S. equity	37%	4.85%	31%	4.35%
International developed markets equity	14%	4.75%	14%	4.25%
Emerging markets equity	2%	4.95%	5%	4.65%
Fixed income- core	19%	1.75%	22%	-0.50%
Inflation protection (TIPS)	3%	1.50%	3%	1.00%
Cash	2%	25.00%	2%	-1.05%
Total	100%		100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.875% for 2024 and 2023 actuarial valuations. 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. Based on the assumptions, SERS fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active SERS members. Therefore, the long-term expected rate of return on SERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

(In Thousands Except for Percentages)

11. RETIREMENT BENEFITS (continued)

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

The following schedule presents PENNVEST's proportionate share of the 2024 and 2023 net pension liability calculated using the discount rate of 6.875% for 2024 and 2023. It also shows what PENNVEST's proportionate share of the net pension 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 rate:

	1% Decrease 5.875%	Current 6.875%	1% Increase 7.875%
Net Pension Liability as of December 31, 2024 (Measurement Date)	**$ 10,397**	**$ 8,473**	**$ 5,571**

	1% Decrease 5.875%	Current 6.875%	1% Increase 7.875%
Net Pension Liability as of December 31, 2023 (Measurement Date)	$ 11,321	$ 9,420	$ 6,351

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued SERS financial report.

12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB")

PENNVEST, through the Commonwealth's Retired Employees Health Plan ("REHP"), provides healthcare as a post-employment benefit to its employees that qualify for this benefit when they retire. The REHP has been established under pertinent statutory authority.

General Information about the REHP

Plan Description and Administration

The REHP is a single employer defined benefit OPEB plan that includes Commonwealth agencies and some component units. The REHP is established as a trust equivalent arrangement for some Commonwealth agencies and component units. The REHP is administered by the Pennsylvania Employee Benefits Trust Fund ("PEBTF"), which acts as a third-party administrator under an administrative agreement with the Commonwealth. All policy decision types and levels of benefits for the REHP fall under the purview of the Commonwealth's Executive Board, and the Secretary of Administration. The REHP does not have a governing board.

12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (continued)

The REHP is reported in the Commonwealth's ACFR as a Pension (and Other Employee Benefit) Trust. The REHP is reported using the economic resources measurement focus and the accrual basis of accounting. The ACFR is an audited financial statement and is available at www.budget.pa.us.

Contributions

REHP employer contribution requirements are established by the Commonwealth Office of Administration and the Office of the Budget. PENNVEST contributed $300 (not in thousands) per biweekly pay period for each REHP eligible active employee to REHP per the actuarial valuation report as of June 30, 2024 and 2023. Total contributions to the REHP were $186 and $205 for the years ended June 30, 2025 and 2024, respectively.

Benefits and Eligibility

The REHP covers retirees and their eligible dependents with medical and prescription drug plans. PENNVEST pays the insurance premiums for retirees with the exception of the following amounts received from the retiree:

Retirement Date:	**Retiree share of cost of benefits:**
Before July 1, 2005	Zero – PENNVEST pays full cost
July 1, 2005 to June 30, 2007	1% of final annual salary
July 1, 2005 to June 30, 2011	3% for non-Medicare and 1.5% for Medicare eligible retirees of either final gross annual base salary or final average salary, whichever is less
After June 30, 2011	3% for non-Medicare and 1.5% for Medicare eligible retirees final average salary

Employees who retire from PENNVEST at any age with 25 or more years of service are eligible to receive REHP benefits. In addition, employees who retire at or over age 60 with a minimum of 20 years of service are eligible for coverage under the REHP. Coverage under disability retirement requires five years of service. Spouses and dependents are eligible for subsidized postemployment medical coverage while the retiree is alive. Surviving spouses of deceased retirees may continue to participate in the plan if they pay the full cost of the coverage.

(In Thousands Except for Percentages)

12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (continued)

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

As of June 30, 2025 and 2024, PENNVEST reported a liability of $2,889 and $3,149, respectively, for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured by an actuarial valuation as of June 30, 2024 and 2023, with the exception that the census data information which was as of December 31, 2023 and 2022. PENNVEST's proportion of the collective net OPEB liability was based on PENNVEST's contractually required contributions to the REHP relative to the contractually required contributions of all employers participating in the REHP. As of June 30, 2024 and 2023, the measurement date, PENNVEST's proportionate share was 0.04 percent.

For the years ended June 30, 2025 and 2024, PENNVEST recognized OPEB expense of $508 and $(554), respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (continued)

As of June 30, 2025 and 2024, PENNVEST reported deferred outflows and deferred inflows of resources related to OPEB from the following:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2025	**2024**	**2025**	**2024**
Differences between expected and actual earnings on plan investments	**$ -**	$ 3	**$ 16**	$ -
Differences between expected and actual experience	**90**	120	**695**	953
Changes in proportion	**377**	507	**277**	400
Changes in assumptions	**86**	220	**745**	832
PENNVEST contributions subsequent to measurement date	**186**	205	**-**	-
Total	**$ 739**	$ 1,055	**$ 1,733**	$ 2,185

Deferred outflows of resources related to OPEB resulting from PENNVEST's contributions subsequent to the measurement dates of June 30, 2024 and 2023 but prior to the reporting dates of June 30, 2025 and 2024, of $186 and $205, respectively, will be recognized as a reduction of the OPEB liability at reporting dates June 30, 2025 and 2024, respectively.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in the PENNVEST's OPEB expense as follows:

Years Ending June 30	Amount
2026	$ (344)
2027	(382)
2028	(260)
2029	(174)
2030	(20)
Total	$ (1,180)

(In Thousands Except for Percentages)

12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (continued)

Actuarial Methods and Assumptions

The following methods and assumptions were used in the June 30, 2024 and 2023, actuarial valuation.

Actuarial cost method	Entry age normal
Discount rate	6.09% as of June 30, 2024; 5.56% as of June 30, 2023 Based on the index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date
Investment rate of return	6.75%
Initial medical trend rate	8.2% (non-Medicare)/8.2% (Medicare) as of June 30, 2024; 8.9% (non-Medicare)/9.0% (Medicare) as of June 30, 2023
Ultimate medical trend rate	3.90% and 3.90% as of June 30, 2024 and 2023, respectively
Inflation	2.50% and 2.50% as June 30, 2024 and 2023, respectively
Payroll growth	2.80%
Year ultimate trend rate reached	2075
Mortality rate	PUB-2010 Mortality Tables

The above actuarial assumptions were determined, in-part, based on the SERS experience studies performed periodically to determine reasonable and appropriate economic and demographic assumptions for purposes of valuing the defined benefit pension plan. The most recent SERS experience study covered the years 2015 through 2019 and was presented to the State Employees' Retirement Board in July 2020. The approved recommendations from that study were used to determine the assumptions for the REHP valuation, where applicable.

One significant assumption where the recommendation of the experience study is not applicable to the retiree health benefit valuation is the discount rate. Since REHP has insufficient assets to meet next year's projected benefit payments, as prescribed by GASB Nos. 74 and 75, the discount rate is based on the index rate for 20-year tax exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date. The Commonwealth elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 6.09% and 5.65% as of June 30, 2024 and 2023, respectively.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on REHP 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 assets class included in the target asset allocation are summarized in the following table:

(In Thousands Except for Percentages)

12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (continued)

Long-term Expected Return on Plan Assets (continued)

	June 30, 2025		June 30, 2024	
Asset Class	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
U.S Equity	42%	5.1%	42%	5.1%
International Equity	22%	5.5%	22%	5.5%
Real Estate	4%	4.7%	4%	4.7%
Public REITS	4%	0.0%	4%	0.0%
Infrastructure	4%	0.0%	4%	0.0%
Private Equity	1%	8.3%	1.0%	8.3%
U.S. Fixed Income	22%	1.6%	22%	1.6%
Cash Equivalent	1%	0.0%	1.0%	0.0%
Total	100%		100%	

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

The following presents PENNVEST's 2025 and 2024 OPEB liability calculated using the discount rate of 6.09% and 5.65%, respectively, as well as what PENNVEST's 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 rate:

	1% Decrease 5.09%	Current Discount Rate 6.09%	1% Increase 7.09%
Total OPEB Liability as of June 30, 2025	**$ 3,239**	**$ 2,889**	**$ 2,588**

	1% Decrease 4.65%	Current Discount Rate 5.65%	1% Increase 6.65%
Total OPEB Liability as of June 30, 2024	$ 3,540	$ 3,149	$ 2,816

Sensitivity of PENNVEST's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents PENNVEST's 2025 OPEB liability calculated using the assumed trend rates of 8.2% / 8.2%, grading down to 3.9%, as well as what PENNVEST's OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

(In Thousands Except for Percentages)

12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (continued)

Sensitivity of PENNVEST's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (continued)

	1% Decrease 7.2%/7.2% Down to 2.9%	Current Trend 8.2%/8.2% Down to 3.9%	1% Increase 9.2%/9.2% Down to 4.9%
Total OPEB Liability as of June 30, 2025	**$ 2,519**	**$ 2,889**	**$ 3,333**

The following presents PENNVEST's 2024 OPEB liability calculated using the assumed trend rates of 8.9% / 9.0% grading down to 3.9%, as well as what PENNVEST's OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 7.9%/8.0% Down to 2.9%	Current Trend 8.9%/9.0% Down to 3.9%	1% Increase 9.9%/10.0% Down to 4.9%
Total OPEB Liability as of June 30, 2024	$ 2,743	$ 3,149	$ 3,639

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
SCHEDULES OF PENNVEST'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM
PRIOR 10 FISCAL YEARS
(In Thousands Except for Percentages)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
PENNVEST's proportion of the collective net pension liability	0.04222100%	0.04457000%	0.04662621%	0.04425713%	0.04347820%	0.03924610%	0.03635722%	0.03530670%	0.03577823%	0.03585011%
PENNVEST's proportionate share of the collective net pension liability	$ 8,473	$ 9,420	$ 9,420	$ 6,450	$ 7,955	$ 7,134	$ 7,573	$ 6,105	$ 6,891	$ 6,519
PENNVEST's covered-employee payroll	2,935	2,930	3,003	2,813	2,806	2,496	2,262	2,101	2,125	2,191
PENNVEST'S proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	288.69%	321.50%	313.69%	229.29%	283.50%	285.82%	334.79%	290.58%	324.28%	297.54%
Plan's fiduciary net position as a percentage of the total pension liability	67.7.3%	65.30%	61.50%	76.00%	67.00%	63.10%	56.40%	61.56%	57.80%	58.90%

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
SCHEDULES OF PENNVEST'S CONTRIBUTIONS - PENSION
PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM
PRIOR 10 FISCAL YEARS*
(In Thousands Except for Percentages)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 1,060	$ 1,055	$ 1,019	$ 977	$ 922	$ 796	$ 738	$ 675	$ 560	$ 437
Contributions in relation to the contractually required contribution	(1,060)	(1,055)	(1,019)	(977)	(922)	(796)	(738)	(675)	(560)	(537)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (100)
PENNVEST's covered-employee payroll	$ 2,935	$ 2,930	$ 3,003	$ 2,813	$ 2,806	$ 2,496	$ 2,262	$ 2,101	$ 2,125	$ 2,191
Contributions as a percentage of covered-employee payroll	36.12%	36.01%	33.93%	34.73%	32.86%	31.89%	32.63%	32.13%	26.35%	19.95%

NOTES TO SCHEDULE:

Contributions rates are calculated as of December 31, for the fiscal year in which contributions are reported.	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Methods and Assumptions Used to Determine Contribution Rates:										
Actuarial valuation date: December 31,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarial cost method	Entry Age for all years shown									
Amortization method	Straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits for all years shown									
Investment rate of return, net of manager fees including inflation	6.88%	6.88%	6.88%	7.00%	7.00%	7.13%	7.25%	7.25%	7.25%	7.50%
Projected salary increases	4.58%	4.55%	4.55%	4.60%	4.60%	5.60%	5.60%	5.60%	5.60%	5.70%
Asset valuation method	Fair (market) value for all years shown									
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.60%	2.60%	2.60%	2.60%	2.75%
Mortality rate		Projected PubG-2010 and PubNS-2010 Mortality Tables adjusted for actual plan experience and future improvement for retirees, beneficiaries, and survivors								
Cost of living adjustments	None	None								

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
SCHEDULES OF PENNVEST'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIRED EMPLOYEES HEALTH PLAN
LAST 10 FISCAL YEARS*
(In Thousands Except for Percentages)

	2025	2024	2023	2022	2021	2020	2019	2018
PENNVEST's proportion of the collective net OPEB liability	0.041461%	0.040495%	0.042874%	0.043872%	0.028890%	0.037755%	0.039208%	0.040139%
PENNVEST's proportionate share of the collective net OPEB liability	$ 2,889	$ 3,149	$ 3,149	$ 4,489	$ 4,930	$ 3,846	$ 5,644	$ 7,899
PENNVEST's covered-employee payroll	1,860	1,767	1,796	1,826	1,682	1,507	1,603	1,874
PENNVEST'S proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	155.32%	178.21%	175.33%	245.84%	293.10%	255.21%	352.09%	421.50%
REHP fiduciary net position as a percentage of the total OPEB liability	11.60%	8.80%	5.90%	3.70%	3.70%	3.80%	2.20%	1.40%

* PENNVEST adopted GASB 75 on a prospective basis; therefore, only eight years are presented in the above schedule.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
SCHEDULES OF PENNVEST'S CONTRIBUTIONS - OPEB
PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM
PRIOR 10 FISCAL YEARS*
(In Thousands Except for Percentages)

	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	$ 222	$ 112	$ 101	$ 121	$ 220	$ 220	$ 191	$ 293
Contributions in relation to the contractually required contribution	(186)	(205)	(189)	(201)	(203)	(209)	(230)	(259)
Contribution deficiency (excess)	$ 36	$ (93)	$ (88)	$ (80)	$ 17	$ 11	$ (39)	$ 34
PENNVEST's covered-employee payroll	$ 1,860	$ 1,767	$ 1,796	$ 1,826	$ 1,682	$ 1,507	$ 1,603	$ 1,874
Contributions as a percentage of covered-employee payroll	11.94%	6.34%	5.62%	6.63%	13.08%	14.60%	11.92%	15.64%
NOTES TO SCHEDULE:								
Contributions - The bi-weekly contribution rate payable by the Authority is based on the projected per retiree cost and the number of estimated retirees. The per retiree bi-weekly rate was:	$300	$300	$300	$300	$300	300	$300/$188	$362

Methods and Assumptions Used to Determine OPEB Liability:								
Actuarial valuation date: June 30,	2024	2023	2022	2021	2020	2019	2018	2017
Actuarial cost method	Entry Age for all years shown							
Discount rate	6.09%	5.65%	4.67%	3.63%	2.21%	3.50%	3.87%	3.58%
Initial medical trend rate	8.2%/8.2%	8.9%/9.0%	7.3%/6.3%	6.9%/6.7%	6.6%/6.1%	6.0%/5.9%	6.2%/5.9%	6.00%
Ultimate medical trend rate	3.90%	4.00%	4.10%	4.00%	4.10%	4.10%	4.10%	3.90%
Year ultimate trend rate reached	2075	2075	2075	2075	2075	2075	2075	2075
Mortality rate	Project RP-2000 Mortality Tables for all years shown							

* PENNVEST adopted GASB 75 on a prospective basis; therefore, only eight years are presented in the above schedule.

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
FEDERAL CLEAN WATER STATE REVOLVING LOAN FUND
SCHEDULES OF NET POSITION
JUNE 30, 2025 AND 2024
(In Thousands)

	2025	2024
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 294,127**	$ 194,286
Investments	**703,891**	784,236
Investment - securities lending	**11,898**	23,041
Loans receivable	**112,894**	103,494
Accounts receivables, net	**1,385**	1,536
Accrued interest receivable	**1,735**	1,632
Due from Other PENNVEST Funds	**-**	-
Due from Commonwealth of Pennsylvania	**759**	625
Due from federal government	**1,261**	2,733
Total Current Assets	**1,127,950**	1,111,583
Noncurrent Assets:		
Loans receivable	**1,648,553**	1,558,557
Allowance for loan losses	**(22,486)**	(12,575)
Total Noncurrent Assets, net	**1,626,067**	1,545,982
TOTAL ASSETS	**2,754,017**	2,657,565
LIABILITIES		
Current Liabilities:		
Accounts payable	**314**	6,950
Due to Other PENNVEST Funds	**96**	91
Due to Commonwealth of Pennsylvania	**1,169**	1,678
Current portion of revenue bonds payable	**3,584**	3,414
Short-term obligations	**-**	-
Securities lending obligation	**11,898**	23,041
Total Current Liabilities	**17,061**	35,174
Noncurrent Liabilities:		
Noncurrent revenue bonds payable, net	**9,326**	13,446
Total Noncurrent Liabilities	**9,326**	13,446
TOTAL LIABILITIES	**26,387**	48,620
NET POSITION		
Restricted for Federal Clean Water State Revolving Loan Fund	**2,727,630**	2,608,945
TOTAL NET POSITION	**$ 2,727,630**	$ 2,608,945

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
FEDERAL CLEAN WATER STATE REVOLVING LOAN FUND
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024
(In Thousands)

	2025	2024
Operating Revenues		
Interest on loans receivable	$ 19,963	$ 19,009
Other federal grants	43,722	25,577
Operating revenues before provision for loan loss	63,685	44,586
Recovery for Loan Loss	9,911	296
Net Operating Revenues	53,774	44,290
Operating Expenses		
Administration	7,962	4,788
Other state and Federal "principal forgiveness" to program participants	55,869	48,706
Total Operating Expenses	63,831	53,494
Operating Income (Loss)	(10,057)	(9,204)
Nonoperating Revenues (Expense)		
Investment (loss) income	71,363	70,902
Interest and amortization expense	(120)	(287)
Net Nonoperating Revenues	71,243	70,615
Capital Contributions		
Other Federal and state	57,499	46,279
Total Capital Contributions	57,499	46,279
Other Financing Uses		
Transfer to Federal Drinking Water State Revolving Loan Fund	-	(60,000)
	-	(60,000)
Increase in Net Position	118,685	47,690
Net Position- Beginning of Year	2,608,945	2,561,255
Net Position- End of Year	$ 2,727,630	$ 2,608,945

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTUCTURE INVESTMENT AUTHORITY
FEDERAL CLEAN WATER STATE REVOLVING LOAN FUND
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024
(In Thousands)

	2025	2024
Cash Flows from Operating Activities:		
Loan receipts from borrowers	**$ 134,282**	$ 118,798
Grant receipts	**43,722**	25,577
Loan disbursements to borrowers	**(212,195)**	(180,507)
Payments for goods and services	**(15,241)**	(2,907)
Grants/"principal forgiveness" to program participants	**(55,869)**	(48,706)
Net Cash from Operating Activities	**(105,301)**	(87,745)
Cash Flows from Capital Financing Activities:		
Repayment of bonds payable	**(3,950)**	(3,789)
Payments to Commonwealth of Pennsylvania	**(643)**	533
Payment of interest on bonds payable	**(120)**	(287)
Other Federal and state grants received	**57,499**	46,279
Net Cash from Capital Financing Activities	**52,786**	42,736
Cash flows from Non-Capital Financing Activities		
Transfer to Federal Drinking Water State Revolving Loan Fund	**-**	(60,000)
Net Cash from Non-Capital Financing Activities	**-**	(60,000)
Cash Flows from Investing Activities:		
Receipts from depositories	**71,363**	70,902
Net sales (purchases) of State Treasury Commonwealth Investment Pool	**80,993**	111,021
Net Cash from Investing Activities	**152,356**	181,923
Increase in Cash and Cash Equivalents	**99,841**	76,914
Cash and Cash Equivalents, Beginning of Year	**194,286**	117,372
Cash and Cash Equivalents, End of Year	**$ 294,127**	$ 194,286
Reconciliation of operating income to net cash from operating activities:		
Operating income	**$ (10,057)**	$ (9,204)
Adjustments to reconcile operating loss to net cash used in		
(Recovery)/Provision of loan losses	**9,911**	(296)
Effect of changes in non-cash operating assets and liabilities:		
Loan receivable, gross	**(99,396)**	(83,489)
Accounts receivables, net	**151**	1,288
Accrued interest receivable	**(103)**	(63)
Due from/to Commonwealth of Pennsylvania	**(643)**	533
Due from/to Federal government	**1,472**	(2,500)
Accounts payable and accrued liabilities	**(6,636)**	5,986
Total adjustments	**(95,244)**	(78,541)
Net Cash from Operating Activities	**$ (105,301)**	$ (87,745)

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTUCTURE INVESTMENT AUTHORITY
FEDERAL DRINKING WATER STATE REVOLVING LOAN FUND
SCHEDULES OF NET POSITION
JJUNE 30, 2025 AND 2024
(In Thousands)

	2025	2024
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 51,294**	$ 55,906
Investments	**305,064**	347,311
Investment-securities lending	**2,708**	4,743
Loans receivable	**56,786**	50,089
Accounts receivables, net	**832**	1,243
Accrued interest receivable	**923**	802
Due from Other PENNVEST Funds	**-**	-
Due from federal government	**3,997**	7,151
Total Current Assets	**421,604**	467,245
Noncurrent Assets:		
Loans receivable	**806,104**	664,042
Allowance for loan losses	**(3,674)**	(2,042)
Total Noncurrent Assets, net	**802,430**	662,000
TOTAL ASSETS	**1,224,034**	1,129,245
LIABILITIES		
Current Liabilities:		
Accounts payable	**185**	200
Due to Other PENNVEST Funds	**85**	76
Due to Commonwealth of PA	**1,242**	2,476
Current portion of revenue bonds payable	**2,016**	1,921
Securities lending obligation	**2,708**	4,743
Total Current Liabilities	**6,236**	9,416
Noncurrent Liabilities:		
Noncurrent revenue bonds payable, net	**5,246**	7,564
Total Noncurrent Liabilities	**5,246**	7,564
TOTAL LIABILITIES	**11,482**	16,980
NET POSITION		
Restricted for Federal Drinking Water State Revolving Loan Fund	**1,212,552**	1,112,265
TOTAL NET POSITION	**$ 1,212,552**	$ 1,112,265

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTUCTURE INVESTMENT AUTHORITY
FEDERAL DRINKING WATER STATE REVOLVING LOAN FUND
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024
(In Thousands)

	2025	2024
Operating Revenues		
Interest and fee income on loans	**$ 10,346**	$ 9,340
Other Federal grants	**117,928**	57,453
Operating revenues before provision for loan loss	**128,274**	66,793
Provision (Recovery) for Loan Loss	**1,632**	142
Net Operating Revenues	**126,642**	66,651
Operating Expenses		
Administration	**17,641**	13,703
Other state and Federal "principal forgiveness" to program participants	**69,704**	57,129
Total Operating Expenses	**87,345**	70,832
Operating Loss	**39,297**	(4,181)
Nonoperating Revenues (Expense)		
Investment (loss) income	**23,729**	17,887
Interest and amortization expense	**(68)**	(161)
Net Nonoperating Revenues	**23,661**	17,726
Capital Contributions		
Other Federal and state	**37,329**	29,527
Total Capital Contributions	**37,329**	29,527
Other Financing Sources		
Transfer From Federal Clean Water State Revolving Loan Fund	**-**	60,000
	-	60,000
Increase in Net Position	**100,287**	103,072
Net Position- Beginning of Year	**1,112,265**	1,009,193
Net Position- End of Year	**$ 1,212,552**	$ 1,112,265

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTUCTURE INVESTMENT AUTHORITY
FEDERAL DRINKING WATER STATE REVOLVING LOAN FUND
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024
(In Thousands)

	2025	2024
Cash Flows from Operating Activities:		
Loan receipts from borrowers	**$ 61,386**	$ 54,855
Loan disbursements to borrowers	**(198,428)**	(123,195)
Payments for goods and services	**(17,647)**	(14,166)
Grants/"principal forgiveness" to program participants	**(69,704)**	(57,129)
Other Federal and state receipts	**120,001**	53,172
Net Cash from Operating Activities	**(104,392)**	(86,463)
Cash Flows from Capital Financing Activities:		
Repayment of bonds payable	**(2,223)**	(2,130)
Payments to Commonwealth of Pennsylvania	**(1,234)**	(973)
Payment of interest on bonds payable	**(68)**	(161)
Other federal and state grants received	**37,331**	31,723
Net Cash from Capital Financing Activities	**33,806**	28,459
Cash flows from Non-Capital Financing Activities		
Transfer from Federal Clean Water State Revolving Loan Fund	**-**	60,000
Net Cash from Non-Capital Financing Activities	**-**	60,000
Cash Flows from Investing Activities:		
Receipts from depositories	**23,729**	17,887
Net purchases of State Treasury Commonwealth Investment Pool	**42,245**	(35,368)
Net Cash from Investing Activities	**65,974**	(17,481)
Increase in Cash and Cash Equivalents	**(4,612)**	(15,485)
Cash and Cash Equivalents, Beginning of Year	**55,906**	71,391
Cash and Cash Equivalents, End of Year	**$ 51,294**	$ 55,906
Reconciliation of operating income to net cash from operating activities:		
Operating loss	**$ 39,297**	$ (4,181)
Adjustments to reconcile operating loss to net cash used in		
(Recovery)/Provision of loan losses	**1,632**	142
Effect of changes in non-cash operating assets and liabilities:		
Loan receivable, gross	**(148,759)**	(78,058)
Accrued interest receivable	**(121)**	(51)
Due from/to Federal government	**3,154**	(3,899)
Accounts receivables, net	**411**	(382)
Accounts payable and accrued liabilities	**(6)**	(34)
Total adjustments	**(143,689)**	(82,282)
Net Cash from Operating Activities	**$ (104,392)**	$ (86,463)

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
NOTES TO FUND SCHEDULES
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024
(In Thousands)

1. GENERAL

The accompanying schedules present the activity for two of the five funds maintained by PENNVEST: the Federal Clean Water State Revolving Loan Fund, which accounts for the financial activity resulting from capitalization grants received from the Federal government under the State Revolving Loan Funds Program; and the Federal Drinking Water State Revolving Loan Fund which accounts for the financial activity resulting from grants received from the federal government under the State Revolving Loan Funds Program. The activity resulting from the Commonwealth of Pennsylvania capital contributed to PENNVEST, and the 2010 and 1990 trust funds have not been presented in the schedules except for the transactions with these two funds. The schedules have been presented to comply with contractual arrangements with the funding sources.

2. BASIS OF ACCOUNTING

The accompanying schedules are presented using the accrual basis of accounting, which is described in Note 1 of PENNVEST's financial statements.

3. TRANSFER OF LOANS BETWEEN FUNDS

When PENNVEST transfers a loan receivable between the funds identified above, the loan transfer is recorded in contributed capital and the provision for loan losses related to the transferred loans is reflected as an adjustment to net position.

4. ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses was $22,486 and $12,575, for the Federal Clean Water State Revolving Loan Fund, and the Federal Drinking Water State Loan Fund, respectively, as of June 30, 2025, and $3,674 and $2,042, respectively, as of June 30, 2024.

5. COMMITMENTS & CONTINGENT LIABILITIES

As of June 30, 2025, PENNVEST had approved approximately $725,595 and $844,186 respectively, of Federal Clean Water and Federal Drinking Water loans that had not yet been disbursed. The monies needed to fund these loans will be generated from contributions by the federal government or the Commonwealth of Pennsylvania, revenue bonds, and principal repayments on existing loans.

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses that may be disallowed by the grantor cannot be determined at this time, although PENNVEST expects such amounts, if any, to be immaterial.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY
SCHEDULES OF DELINQUENT LOANS
CLEAN WATER PROGRAM ON-LOT LOANS
FEDERAL CLEAN WATER PROGRAM
(UNAUDITED)

Federal Clean Water Program On-Lot Loans

Loan Number	Delinquent Amount	Original Loan Balance	Loan Balance as of June 30, 2025
2200079	**$ 1,074**	**$ 4,330**	**$ 4,330**
3182433	**105**	**13,571**	**13,571**
3325305	**42**	**5,856**	**5,856**
3348257	**247**	**18,224**	**18,224**
3354685	**158**	**14,419**	**14,419**
3475605	**418**	**15,996**	**15,996**
3529161	**124**	**20,018**	**20,018**
3692399	**48**	**8,051**	**8,051**
3773876	**124**	**17,712**	**17,712**
3774007	**86**	**7,469**	**7,469**
3867918	**297**	**14,401**	**14,401**
3877461	**124**	**14,462**	**14,462**
3903762	**54**	**22,513**	**22,513**
3973815	**124**	**9,273**	**9,273**
3975281	**741**	**23,234**	**23,234**
4063822	**79**	**14,824**	**14,824**
4122982	**124**	**15,399**	**15,399**
	$ 3,969	**$ 239,752**	**$ 239,752**

Loan Number	Delinquent Amount	Original Loan Balance	Loan Balance as of June 30, 2024
1152818	$ 110	$ 22,264	$ 37
2200079	396	11,440	4,330
3100351	4,505	21,596	13,823
3325305	42	8,403	6,248
3333275	124	25,000	13,499
3348257	123	24,971	19,286
3351863	247	25,000	19,246
3356680	34	6,926	3,361
3378940	87	17,636	13,547
3448503	41	8,303	3,711
3753159	124	25,000	22,206
3756285	124	25,000	22,224
3773876	124	25,000	18,873
3903762	124	25,000	23,592
3937356	124	25,000	11,610
3963667	38	7,623	2,317
3975281	124	25,000	24,300
4012779	124	25,000	24,456
4055406	124	25,000	24,826
	$ 6,739	$ 379,162	$ 271,492

Certified Public
Accountants &
SBC Business Advisors

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

The Board of Directors
Pennsylvania Infrastructure Investment Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Pennsylvania Infrastructure Investment Authority (PENNVEST) a component unit of the Commonwealth of Pennsylvania, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2025.

Report on Internal Controls over Financial Reporting

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

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

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

Certified Public
Accountants &
SBC Business Advisors

Report on Compliance and Other Matters

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

Purpose of this Report

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

Philadelphia, Pennsylvania
October 15, 2025

SB + Company, LLC