State Public School Building Authority

(A Component Unit of the Commonwealth of Pennsylvania)

Financial Statements and Required Supplementary Information

Year Ended June 30, 2026
with Independent Auditor's Report

MaherDuessel

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

YEAR ENDED JUNE 30, 2026

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Independent Auditor's Report

Board of Directors
State Public School Building Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the State Public School Building Authority (Authority), a component unit of the Commonwealth of Pennsylvania, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of the Authority, as of June 30, 2026, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority'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.

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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Authority's June 30, 2025 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated August 25, 2025. In our opinion, the summarized comparative information presented herein as of and for

the year ended June 30, 2025 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maher Duessel

Harrisburg, Pennsylvania
August 25, 2026

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2026

This management's discussion and analysis presents an overview and analysis of the financial activities of the State Public School Building Authority (Authority) for the fiscal year ended June 30, 2026. It should be read in conjunction with the Authority's basic financial statements and related notes.

The Authority is a public corporation and governmental instrumentality of the Commonwealth of Pennsylvania created to finance the construction and improvement of public school facilities. The Authority acts primarily as a financing conduit for school districts, career and technical centers, intermediate units, and community colleges. Its principal sources of revenue for administrative operations are management fees charged to the Pennsylvania Higher Educational Facilities Authority (PHEFA), interest earned on the Loan Fund, and investment income earned on Administrative Fund resources.

Overview of the Financial Statements

The Authority's financial statements are presented as a proprietary fund and include the following basic statements:

- **Statement of Net Position** – This statement reports the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at year-end. It shows the resources available to continue operations after considering all obligations and the effects of deferred outflows and inflows.
- **Statement of Revenues, Expenses, and Changes in Fund Net Position** – This statement reports the results of operations for the year, including operating and nonoperating activity, and shows how the Authority's net position changed from the beginning of the year to the end of the year.
- **Statement of Cash Flows** – This statement reports cash receipts and cash payments from operating, capital and related financing, and investing activities and explains the change in cash and cash equivalents during the year.

Together, these statements provide information about the Authority's liquidity, overall financial position, operating results, and cash flows.

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2026

Financial Summary

Condensed financial information for the Authority as of and for the years ended June 30, 2026 and 2025 is presented below.

Condensed Statement of Net Position

	2026	2025
Assets:		
Current assets	$18,078,662	$14,728,282
Noncurrent assets	16,752,189	19,068,892
Total assets	34,830,851	33,797,174
Deferred outflows of resources	164,622	295,533
Liabilities:		
Current liabilities	104,946	92,097
Long-term liabilities	1,165,437	1,625,704
Total liabilities	1,270,383	1,717,801
Deferred inflows of resources	1,010,211	1,075,867
Net position, unrestricted	32,714,879	31,299,039
Total net position	$32,714,879	$31,299,039

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2026

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position

Operating revenues:		
Management fees	$ 555,379	$ 548,190
Investment income from loans	452,048	309,576
Miscellanous income	187	1,149
Total operating revenues	1,007,614	858,915
Operating expenses:		
Administration and depreciation	206,440	369,797
Total operating expenses	206,440	369,797
Operating income (loss)	801,174	489,118
Nonoperating revenues:		
Investment income	614,666	646,827
Total nonoperating revenues	614,666	646,827
Change in net position	1,415,840	1,135,945
Net position - beginning of year	31,299,039	30,163,094
Net position - end of year	$ 32,714,879	$ 31,299,039

Detailed Analyses

Financial Position

The Authority's net position increased by $1,415,840, or 4.5%, during fiscal year 2026. The increase reflects the continued accumulation of earnings in both the Loan Fund and the Administrative Fund, which more than offset current operating costs.

Total assets increased by $1,033,677. Current assets increased by $3,350,380, while noncurrent assets decreased by $2,316,703. This shift reflects the timing of maturities and the mix of investments held at year-end rather than a decline in overall financial

capacity. The Authority continues to maintain significant liquid and investment resources to support operations and program activity.

Deferred outflows of resources decreased by $130,911 and deferred inflows of resources decreased by $65,656. Long-term liabilities also declined by $460,267. These changes are consistent with the Authority's reduced staffing complement and the related effect on pension and other postemployment benefit balances.

Results of Operations

Total operating revenues increased by $148,699, or 17.3%, driven by loan growth in the Loan Fund. Management fees were marginally higher due to new bond issuance during the year. Positive operating results produced an overall increase in net position for the year.

Operating expenses decreased by $163,357, or 44.2%, to $206,440. Pension and other postemployment benefit costs continued to trend downward as a result of lower staffing levels.

Operating income increased by $312,056 to $801,174. Operating revenues continued to exceed operating expenses by a substantial margin.

Nonoperating revenues decreased by $32,161, or 5%, to $614,666. The decrease was driven by the sale of investments to fund loan growth in the Loan Fund.

Program Activity

During fiscal year 2026, the Authority issued three financings on behalf of schools totaling $74,810,000. Bond proceeds were used to construct, renovate, and acquire facilities and to refund prior bond issues.

The Authority also completed two loans totaling $1,981,660. Loan disbursements during the year totaled $7,196,966 for active loans. These activities reflect the Authority's continuing role in providing access to low-cost financing for eligible educational institutions across the Commonwealth.

Significant Capital Asset and Long-Term Financing Activity
Capital Assets

The Authority had approximately $34,000 invested in capital assets at June 30, 2026 and June 30, 2025. Because those assets were fully depreciated at both year-end dates, net capital assets totaled $0 in both years. The Authority did not purchase or dispose of capital assets during fiscal year 2026.

Long-Term Financing Activity

The Authority had approximately $1.85 billion of conduit debt outstanding at June 30, 2026, compared with approximately $2.05 billion at June 30, 2025, a decrease of approximately $197 million. This debt is nonrecourse to the Authority and is payable solely from revenues derived from the related facilities financed. Accordingly, the conduit debt is not reported as a liability in the Authority's statement of net position.

The Authority had no debt outstanding related to its own administrative or operating activities at June 30, 2026.

Currently Known Facts, Decisions, or Conditions

The Authority's administrative operations continue to depend on a combination of management fees from PHEFA and investment earnings. Because management fees alone do not cover operating costs, maintaining sufficient Administrative Fund net position to generate investment income remains an important financial condition for the Authority.

Despite a decline in interest rates, the Authority benefited from the maturity and reinvestment of lower-yielding fixed investments. To the extent market rates change in future periods, the Authority's operating and nonoperating revenues may also change.

The Authority continues to operate with a lower staffing complement than in prior years. That condition has contributed to lower pension and other postemployment benefit-related costs and will continue to affect operating expense trends in future periods.

In addition, the Authority continues to administer a significant portfolio of outstanding conduit debt and to originate new financings and loans for eligible educational institutions. Ongoing demand for school facility financing and the level of future refunding

and loan activity will continue to influence the volume of program-related transactions and fee revenue.

For additional information about the Authority's financial report, contact the State Public School Building Authority, 400 North Street, 6th Floor, Harrisburg, Pennsylvania 17120, or visit pa.gov/spsba.

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

STATEMENT OF NET POSITION

JUNE 30, 2026

(with comparative totals as of June 30, 2025)

	Business-type Activities - Enterprise Funds			
	Administrative	Loan	2026	2025
Assets				
Current assets:				
Cash and cash equivalents	$ 2,533,026	$ 11,223,361	$ 13,756,387	$ 10,799,496
Receivables:				
Accrued interest - investments	48,960	34,286	83,246	99,598
Accrued interest - loans	-	52,956	52,956	23,236
Loans - current	-	4,161,073	4,161,073	3,780,952
Management fees and other	25,000	-	25,000	25,000
Due from (to) other funds	215,779	(215,779)	-	-
Total current assets	2,822,765	15,255,897	18,078,662	14,728,282
Noncurrent assets:				
Investments	7,008,086	-	7,008,086	11,056,245
Loans	-	9,744,103	9,744,103	8,012,647
Capital assets:				
Capital assets	34,450	-	34,450	34,450
Less accumulated depreciation	(34,450)	-	(34,450)	(34,450)
Total noncurrent assets	7,008,086	9,744,103	16,752,189	19,068,892
Total Assets	9,830,851	25,000,000	34,830,851	33,797,174
Deferred Outflows of Resources				
Deferred outflows of resources for pension	141,882	-	141,882	259,525
Deferred outflows of resources for other post-employment benefits	22,740	-	22,740	36,008
Total Deferred Outflows of Resources	164,622	-	164,622	295,533

(Continued)

	Business-type Activities - Enterprise Funds			
	Administrative	Loan	2026	2025
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	34,239	-	34,239	44,035
Unearned revenue	32,351	-	32,351	10,000
Trustee fee payable	2,000	-	2,000	2,000
Compensated absences	36,356	-	36,356	36,062
Total current liabilities	104,946	-	104,946	92,097
Noncurrent liabilities:				
Trustee fee payable	6,000	-	6,000	8,000
Compensated absences	124,877	-	124,877	121,722
Net other post-employment benefit liability	208,000	-	208,000	280,000
Net pension liability	826,560	-	826,560	1,215,982
Total noncurrent liabilities	1,165,437	-	1,165,437	1,625,704
Total Liabilities	1,270,383	-	1,270,383	1,717,801
Deferred Inflows of Resources				
Deferred inflows of resources for pension	541,211	-	541,211	480,867
Deferred inflows of resources for other post-employment benefits	469,000	-	469,000	595,000
Total Deferred Inflows of Resources	1,010,211	-	1,010,211	1,075,867
Net Position				
Net investment in capital assets	-	-	-	-
Unrestricted	7,714,879	25,000,000	32,714,879	31,299,039
Total Net Position	$ 7,714,879	$ 25,000,000	$ 32,714,879	$ 31,299,039

(Concluded)

The accompanying notes are an integral part of these financial statements.

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2026

(with comparative totals for the year ended June 30, 2025)

	Business-type Activities - Enterprise Funds			
	Administrative	Loan	2026	2025
Operating Revenues:				
Management fees	$ 555,379	$ -	$ 555,379	$ 548,190
Interest income - from loans	-	452,048	452,048	309,576
Miscellaneous income	187	-	187	1,149
Total operating revenues	555,566	452,048	1,007,614	858,915
Operating Expenses:				
Administration	206,440	-	206,440	369,797
Depreciation expense	-	-	-	-
Total operating expenses	206,440	-	206,440	369,797
Operating Income (Loss)	349,126	452,048	801,174	489,118
Noncapital Subsidies:				
Transfers in (out)	(4,316,937)	4,316,937	-	-
Total noncapital subsidies	(4,316,937)	4,316,937	-	-
Operating Income (Loss) and Noncapital Subsidies	(3,967,811)	4,768,985	801,174	489,118
Other Non-Operating Revenues (Expenses):				
Investment income	383,651	231,015	614,666	646,827
Total non-operating revenues (expenses)	383,651	231,015	614,666	646,827
Change in Net Position	(3,584,160)	5,000,000	1,415,840	1,135,945
Net Position:				
Beginning of year	11,299,039	20,000,000	31,299,039	30,163,094
End of year	$ 7,714,879	$ 25,000,000	$ 32,714,879	$ 31,299,039

The accompanying notes are an integral part of these financial statements.

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2026

(with comparative totals for the year ended June 30, 2025)

	Business-type Activities - Enterprise Funds			
	Administrative	Loan	2026	2025
Cash Flows From Operating Activities:				
Receipts from PHEFA	$ 577,730	$ -	$ 577,730	$ 566,797
Payments to suppliers	(139,261)	-	(139,261)	(140,829)
Payments to employees	(471,506)	-	(471,506)	(670,047)
Proceeds from loan repayments	-	5,085,389	5,085,389	4,678,435
Loan disbursements	-	(7,196,966)	(7,196,966)	(6,468,481)
Interest earnings from loans	-	434,150	434,150	311,573
Net cash provided by (used in) operating activities	(33,037)	(1,677,427)	(1,710,464)	(1,722,552)
Cash Flows From Non-Capital and Related Financing Activities:				
Transfer to Loan fund	(5,000,000)	5,000,000	-	-
Transfer to Administrative fund	599,361	(599,361)	-	-
Net cash provided by (used in) non-capital and related financing activities	(4,400,639)	4,400,639	-	-
Cash Flows From Investing Activities:				
Proceeds from sales and maturities of investments	-	4,000,000	4,000,000	5,750,000
Purchases of investments	-	-	-	(2,999,531)
Interest received	436,340	231,015	667,355	617,137
Net cash provided by (used in) investing activities	436,340	4,231,015	4,667,355	3,367,606
Net Increase (Decrease) in Cash and Cash Equivalents	(3,997,336)	6,954,227	2,956,891	1,645,054
Cash and Cash Equivalents:				
Beginning of year	6,530,362	4,269,134	10,799,496	9,154,442
End of year	$ 2,533,026	$ 11,223,361	$ 13,756,387	$ 10,799,496

(Continued)

The accompanying notes are an integral part of these financial statements.

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2026

(with comparative totals for the year ended June 30, 2025)
(Continued)

	Business-type Activities - Enterprise Funds			
	Administrative	Loan	2026	2025
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	$ 349,126	$ 452,048	$ 801,174	$ 489,118
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	-	-	-
Changes in:				
Accrued interest receivable	-	(17,898)	(17,898)	848
Loans receivable	-	(2,111,577)	(2,111,577)	(1,790,046)
Management fees and other receivables	-	-	-	8,607
Deferred outflows of resources for pension	117,643	-	117,643	123,690
Deferred outflows of resources for other post-employment benefits	13,268	-	13,268	24,892
Accounts payable and accrued expenses	(9,796)	-	(9,796)	7,075
Unearned revenue	22,351	-	22,351	10,000
Trustee fee payable	(2,000)	-	(2,000)	(1,000)
Compensated absences	3,449	-	3,449	(58,481)
Net pension liability	(389,422)	-	(389,422)	(35,194)
Net other post-employment benefit liability	(72,000)	-	(72,000)	(76,000)
Deferred inflows of resources for pension	60,344	-	60,344	(226,061)
Deferred inflows of resources for other post-employment benefits	(126,000)	-	(126,000)	(200,000)
Total adjustments	(382,163)	(2,129,475)	(2,511,638)	(2,211,670)
Net cash provided by (used in) operating activities	$ (33,037)	$ (1,677,427)	$ (1,710,464)	$ (1,722,552)

(Concluded)

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

The State Public School Building Authority (Authority) is a public corporation and a governmental instrumentality of the Commonwealth of Pennsylvania (Commonwealth), created by the Act of July 5, 1947 (P.L. 1217, No. 498), known as the State Public School Building Authority Act (24 P.S. § 791.1 *et seq.*), for the purpose of financing the construction and improvement of public school facilities. The Authority is governed by a nine-member Board of Directors (Board). The Authority finances projects through the issuance of bonds, the principal and interest of which are paid by the annual lease/loan payments collected from public schools. The Authority provides for the financing needs of school districts, career and technical centers, intermediate units, and community colleges (schools).

(a) Reporting Entity

The Authority is a component unit of the Commonwealth. Criteria considered in making this determination include the Commonwealth's appointment of the Authority's Board pursuant to statute and the Commonwealth's ability to impose its will on the Authority.

(b) Measurement Focus and Basis of Accounting

The accounts of the Authority are organized on the basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. The Authority's funds are enterprise funds and, accordingly, utilize the accrual basis of accounting and follow the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. The Authority reports the following major enterprise funds:

Administrative Fund

The Administrative Fund is used to account for the unrestricted revenue, primarily management fees and expenses of the Authority's operations.

Loan Fund

The Loan Fund is used to account for loans to schools.

(c) Cash and Cash Equivalents

The Authority considers money market pools and investments with a maturity date of 90 days or less from the purchase date to be cash and cash equivalents.

(d) Due from Other Funds/Due to Other Funds

During the course of its operations, the Authority has numerous transactions between funds to finance operations and provide services. To the extent that certain transactions between funds had not been paid or received as of June 30, 2026, balances of interfund amounts receivable or payable have been recorded.

(e) Investments

Federal Deposit Insurance Corporation (FDIC) insured certificates of deposit are recorded at cost and U.S. Treasury Notes are recorded at fair value.

The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

(f) Capital Assets and Depreciation

Capital assets are reported at cost. Depreciation is calculated using the straight-line basis and assets have estimated useful lives of five years.

In conjunction with certain conduit debt issuances, the Authority takes title to property on behalf of the borrower and leases such property back to the borrower. The agreements entered into as part of these transactions are not deemed to have any economic value to the Authority and, therefore, the Authority does not report the related property in the financial statements.

(g) Deferred Inflows and Outflows of Resources

In conjunction with pension and other post-employment benefits (OPEB) accounting requirements, differences in the Authority's expected and actual experience, difference between projected and actual earnings on pension and OPEB plan investments, changes of assumptions, changes in proportion, and Authority contributions subsequent to the measurement date are recorded as deferred inflows or outflows of resources related to pension and OPEB on the statement of net position. These amounts are determined based on the actuarial valuations performed for the pension and OPEB plans.

(h) Trustee Fees

The Authority reimburses schools for payment of trustee fees up to $1,000 annually for bonds issued under the October 17, 2001 School Subsidy Program Resolution. A liability is recorded for the estimated future payment of trustee fees.

(i) Compensated Absences

Employees earn annual leave based on 4.24% to 11.55% of regular hours paid. A maximum of 45 days may be carried forward at the end of each calendar year. Employees are paid for accumulated annual leave upon termination or retirement. Employees earn sick leave based on 4.24% or 5% of regular hours paid. A maximum of 300 sick days may be carried forward at the end of each calendar year. Retiring employees that meet service, age, or disability requirements are paid from 30% to 50% of their days available at retirement. Employees are paid 100% of sick days earned in their last year of employment if they are above the 300-day maximum limit.

Accumulated annual and sick leave liability is calculated based on the salary rates in effect as of the statement of net position date. A liability is recognized for the portion of accumulating sick leave benefits that is estimated will be taken upon retirement of the employees as well as leave estimated more likely than not to be used prior to leaving the Authority.

(j) Net Position

Net position is categorized as follows:

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Unrestricted Net Position – This category represents the net position of the Authority not otherwise defined.

(k) Operating Revenues

Enterprise funds distinguish operating revenues and expenses from noncapital subsidies and other nonoperating revenues and expenses. Nonoperating revenues and expenses are any (1) contributions to permanent and term endowments; (2) finance related revenues and expenses; (3) gain and losses from disposals of capital assets and inventory; (4) investment income and expenses; and (5) subsidies received and provided. A subsidy represents amounts received from or provided to another party or fund of the Authority. Amounts received from another party or fund are considered a subsidy if it is unrelated to the services provided by the fund and keeps the fees charged at the same amount or

lower if the subsidy was not received. Amounts provided to the other party or fund are considered a subsidy if it is unrelated to the goods or services provided by those parties and will generally result in the fund charging higher fees in the future. All revenues and expenses not meeting the definitions of nonoperating revenues and expenses are reported as operating revenues and expenses.

Operating revenue for the Administrative Fund consists primarily of management fees charged to the Pennsylvania Higher Educational Facilities Authority (PHEFA), relating to various bond, note, and lease issues outstanding. The Authority also charges a fee for SPSBA bond issues designed to offset Authority counsel expense. Management fees are recognized as revenue as of the periodic billing date. Operating revenue for the Loan Fund includes interest earned from loans.

(l) Interfund Transfers

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported after nonoperating revenues/expenses.

(m) Conduit Debt Obligations

The Authority issues taxable and tax-exempt instruments (bonds, notes, or other obligations), which do not constitute a debt of the Authority or the Commonwealth. These debt instruments are limited obligations of the Authority, payable solely from payments made by the related borrowing institutions and related assets held by trustees. The Authority has no general liability with respect to these obligations and has no beneficial interest in the related assets held by trustees. Acting solely in an agency capacity, the Authority serves as a financing conduit, bringing the ultimate borrower and the ultimate lender together. The Authority has elected to exclude these obligations and the related assets held by trustees from the financial statements. The Authority has disclosed the outstanding balance in Note 11.

(n) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(o) Adopted Pronouncements

The Authority adopted GASB Statement No. 103 (Financial Reporting Model Improvements) for the year ended June 30, 2026. The statement resulted in changes to the presentation and disclosure of management's discussion and analysis and proprietary fund operating results. The adoption did not have a significant effect on amounts recognized in the financial statements or beginning net position. Certain prior-year amounts were reclassified to conform to the current-year presentation.

The Authority adopted GASB Statement No. 104 (Disclosure of Certain Capital Assets) for the year ended June 30, 2026. These statements had no significant impact on the Authority's financial statements for the year ended June 30, 2026.

(p) Pending Changes in Accounting Principles

GASB has issued statements that will become effective in future years including Statement No. 105 (Subsequent Events). Management has not yet determined the impact of this statement on the financial statements.

2. Cash and Cash Equivalents and Investments

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types, including U.S. Treasury bills, other short-term U.S. government obligations, short-term commercial paper issued by a public corporation, banker's acceptances, and insured or collateralized time deposits and certificates of deposit. The statutes allow pooling of governmental funds for investment purposes.

The deposit and investment policy of the Authority adhere to state statutes and prudent business practice. The governments' funds are either maintained in collateralized interest-bearing checking accounts, external investment pools, insured certificates of deposit, or U.S. Treasury Notes, which are considered permissible investments of the Authority. There were no deposit or investment transactions during the year that were in violation of either state statutes or the policy of the Authority.

Under the Authority's investment policy, any investment not expressly listed in the policy as permitted is prohibited. Prohibited investments include, but are not limited to, any type of swap, derivative instrument, or stock option of a corporation created by an act of Congress. The Authority uses an external investment pool to ensure safety and maximize efficiency, liquidity, and yield for Authority funds. These funds are invested in the Pennsylvania Treasurer's INVEST Program (State Treasurer's Investment Pool), which separately issues audited financial statements that are available to the public. The fair value of the Authority's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth provides external regulatory oversight for the external investment pool. The Authority is invested in INVEST - Daily Pool, which requires no minimum balance, no minimum initial investments, and has no required investment period.

At June 30, 2026, the Authority's cash and cash equivalents and investments, as presented on the statement of net position, consisted of the following:

	Administrative	Loan	Total	Effective Duration (in years)
Cash and cash equivalents:				
Collateralized interest-bearing checking account	$ 57,236	$ 233	$ 57,469	-
State Treasurer's Investment Pool	2,475,790	11,223,128	13,698,918	0.126
Total cash and cash equivalents	$ 2,533,026	$ 11,223,361	$ 13,756,387	
Investments:				
FDIC insured certificates of deposit	$ 4,000,000	$ -	$ 4,000,000	1.610
U.S. Treasury Note	3,008,086	-	3,008,086	3.592
Total investments	$ 7,008,086	$ -	$ 7,008,086	
Portfolio effective duration				0.913

At June 30, 2026, the Authority's cash and cash equivalents and investments held in financial institutions consisted of the following:

	Administrative	Loan	Total
Cash and cash equivalents:			
Collateralized interest-bearing checking account	$ 57,236	$ 233	$ 57,469
State Treasurer's Investment Pool	2,475,790	11,223,128	13,698,918
Total cash and cash equivalents	$ 2,533,026	$ 11,223,361	$ 13,756,387
Investments:			
FDIC insured certificates of deposit	$ 4,000,000	$ -	$ 4,000,000
U.S. Treasury Note	3,008,086	-	3,008,086
Total investments	$ 7,008,086	$ -	$ 7,008,086

The Authority's investment policy limits investment maturities as a means of managing its exposure to declines in fair values.

(a) Interest Rate Risk

The Authority's investment policy limits interest rate risk by investing in a laddered portfolio comprised of certificates of deposit. The maximum maturity is limited to five years. The certificates of deposit are noncallable.

(b) Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy minimizes credit risk by limiting investments to only those permissible, as defined previously. The Authority's fixed investments are FDIC insured certificates of deposit and U.S. Treasury Notes. The State Treasurer's Investment Pool carries Standard & Poor's highest money market funds rating of AAAm.

(c) Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The Authority's investment policy limits custodial credit risk by depositing in certificates of deposit that are FDIC insured or collateralized. Collateral for the Authority's certificates of deposit shall be held at the Federal Reserve in either the name of the Authority or the

Commonwealth. Short-term deposits, not qualified for FDIC insurance, shall be collateralized with securities held by third-party in accordance with Act 72 of 1971.

The Authority's FDIC insured certificates of deposit are in the custody of a local bank and insured through the Certificate of Deposit Account Registry Service (CDARS). CDARS distributes deposits over banks in its network in increments of less than the standard FDIC insurance maximum to ensure that both principal and interest are eligible for full FDIC protection while working with a single participating bank in the network. Authority deposits not qualified for FDIC insurance are collateralized with securities held by a third-party trust in accordance with state law concerning public deposits, which allows pooling of public accounts into a single collateral pool. The Authority's checking account balance of $57,469 as of June 30, 2026 is covered under FDIC insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy limits credit risk by investing in financial institutions that have a minimum capital (equity) balance of $25,000,000 and at least five years of operation. Investments in the State Treasurer's Investment Pool are uninsured, uncollateralized, and not held in the Authority's name.

(d) Fair Value of Investments

As of June 30, 2026, the Authority's FDIC insured certificates of deposits in the amount of $4,000,000 and U.S. Treasury Note in the amount of $3,008,086 are classified as Level 1 investments.

3. Loans Receivable

Loans receivable relate to the Loan Fund, which makes loans to schools for construction, renovation, and equipment purchases. These fixed rate loans are for up to $3,000,000 with a maximum term of ten years. The Authority sets interest rates for new loans on a quarterly basis.

At June 30, 2026, the Authority had loans receivable of $13,905,176 with interest rates ranging from 1.75% to 4.0%.

Maturities of loans receivable for each of the following fiscal years are as follows:

	Principal	Interest	Total
2027	$ 4,161,073	$ 393,571	$ 4,554,644
2028	3,263,216	273,530	3,536,746
2029	2,015,898	179,759	2,195,657
2030	1,455,473	127,641	1,583,114
2031	1,033,725	89,149	1,122,874
2032	940,325	60,251	1,000,576
2033	462,431	34,741	497,172
2034	392,137	17,891	410,028
2035	180,898	4,410	185,308
	$ 13,905,176	$ 1,180,943	$ 15,086,119

Unfunded commitments on loans issued as of June 30, 2026 are $4,069,513.

4. Interfund Accounts

Individual fund receivable and payable balances at June 30, 2026 were as follows:

	Due from Other Funds	Due to Other Funds
Administrative Fund	$ 215,779	$ -
Loan Fund	-	215,779
	$ 215,779	$ 215,779

This balance represents the fourth quarter interest transfer from the Loan Fund to the Administrative Fund.

Interfund transfers for the year ended June 30, 2026 were as follows:

	Transfers In	Transfers Out
Administrative Fund	$ 683,063	$ 5,000,000
Loan Fund	5,000,000	683,063
	$ 5,683,063	$ 5,683,063

Interest earned from investments and loans is transferred from the Loan Fund to the Administrative Fund quarterly to fund the general operations of the Authority.

5. Capital Assets

The Authority's capital assets include furniture, equipment, and vehicles. A summary of changes in capital assets for the year ended June 30, 2026 follows:

	Capital Assets (at cost)	Accumulated Depreciation	Capital Assets (net)
Balance, July 1, 2025	$ 34,450	$ 34,450	$ -
Additions	-	-	-
Disposals/Transfers Out	-	-	-
Balance, June 30, 2026	$ 34,450	$ 34,450	$ -

6. Long-Term Liabilities

The following represents the changes in the Authority's long-term liabilities for the year ended June 30, 2026 (with changes in compensated absences reported at net):

	Balance July 1, 2025	Additions	Reductions	Balance June 30, 2026	Current Portion
Compensated absences liability	$ 157,784	$ 3,449	$ -	$ 161,233	$ 36,356
Trustee fee payable	$ 10,000	$ -	$ (2,000)	$ 8,000	$ 2,000

7. Related-Party Transactions – Administrative Fund

The Administrative Fund provides for the operation of both the Authority and PHEFA.

Administrative fees collected by PHEFA are deposited directly into the Authority's Administrative Fund in exchange for all management and administrative services and operating expenses. During the year ended June 30, 2026, the amount received from PHEFA was $540,379. The management and board members are identical for both the Authority and PHEFA.

8. Pension Plan

Plan Description

All full-time employees of the Authority contribute to the Commonwealth of Pennsylvania State Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan (Plan). 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.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pension, and pension expense, information about the fiduciary net position of SERS, as well as additions to and deductions from SERS fiduciary net position have been determined on the same basis as they are reported in the financial statements of SERS. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value.

Benefits Provided

Membership in SERS is mandatory for all full-time Authority employees. SERS provides retirement, death, and disability benefits according to statute. Retirement benefits vest after five years of credited service for employees hired prior to January 1, 2011, and ten years for employees hired after January 1, 2011.

Most employees who entered SERS membership prior to January 1, 2011, and who retire at age 60 with three years of service, or at any age with 35 years of service, are entitled to a full retirement benefit. The general annual benefit provided by statute is 2.5% of the member's highest three-year average salary times years of service. Most employees who entered SERS membership after January 1, 2011, and before January 1, 2019, have a full retirement age of 65 and a general annual benefit of 2% of the member's final average salary. The benefit structure for most new employees changed

effective January 1, 2019, to include two hybrid plan options as well as a defined contribution-only plan option. The hybrid plan options contain a Defined Benefit Plan component with a full retirement age of 67 that accrues at 1.25% or 1% of the member's final average salary.

Contributions

Contributions vary by membership class. Class AA members are required by statute to contribute to SERS at a rate of 6.25% of salary. Class A-3 and A-4 members contribute at 6.25% and 9.3% of salary, respectively. Class A-5 and A-6 members contribute at 5% and 4% of salary, respectively. The employees' contributions are recorded in an individually identified account, which is also credited with interest, calculated quarterly to yield 4% per annum, as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits. Authority employee contributions to SERS for the year ended June 30, 2026 approximated $18,000.

The Authority's contractually required contribution rate of annual payroll for the year ended June 30, 2026 was 39.96% for AA employees. The SERS funding policy 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 employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. The Authority's contributions to SERS for the years ended June 30, 2026 and 2025 were $114,361 and $141,170, respectively.

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

At June 30, 2026, the Authority reported a liability of $826,560 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's portion of the net pension liability was allocated by SERS to each employer based on a projected-contribution method. At December 31, 2025, the Authority's proportion of the net pension liability was approximately 0.0048 percent, which is an decrease of 0.0012 percent from its proportion measured as of December 31, 2024.

At June 30, 2026, the Authority reported deferred outflows and inflows of resources related to pension from the following sources:

Deferred Outflows of Resources for Pension	
Differences between expected and actual experience	$ 32,377
Changes of assumptions	15,494
Changes in proportion and differences between Authority contributions and proportionate share of contributions	41,240
Contributions subsequent to the measurement date	52,771
Total deferred outflows of resources for pension	$ 141,882
Deferred Inflows of Resources for Pension	
Differences between expected and actual experience	$ 98
Net difference between projected and actual earnings on pension plan investments	91,034
Changes in proportion and differences between Authority contributions and proportionate share of contributions	450,079
Total deferred inflows of resources for pension	$ 541,211

For the year ended June 30, 2026, the Authority recognized pension expense of ($97,682).

Deferred outflows of resources related to Authority pension contributions subsequent to the measurement date totaling $52,771 will be recognized as a reduction of the net pension liability in the year ending June 30, 2027. Other amounts reported as deferred outflows and inflows of resources for pension will be recognized in pension expense as follows:

2027	$ (175,561)
2028	(144,315)
2029	(71,719)
2030	(60,505)
	$ (452,100)

Actuarial Methods and Assumptions

The following methods and assumptions were used in the December 31, 2025 actuarial valuation. These methods and assumptions were applied to all periods included in the measurement period:

Actuarial cost method	Entry age
Amortization method	Straight-line amortization of difference between projected and actual earnings on pension plan 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
Investment rate of return	6.875% net of manager fees including inflation
Projected salary increases	Average of 5.43% with range of 3.70% - 7.55% including inflation
Asset valuation method	Fair (market) value
Inflation	2.50%
Mortality rate	Projected PubG-2016 Mortality Tables adjusted for actual plan experiences and future improvement
Cost-of-living adjustments (COLAs)	None (ad hoc)

Every five years, SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The current set of assumptions used in the December 31, 2025 actuarial valuation was adopted by the SERS Board based upon actual experience of SERS during the years 2020 through 2024. The 20th Investigation of Actuarial Experience covering the period 2020-2024 was released and approved by the SERS Board in July 2025. The study did not recommend changes to the investment rate of return or the inflation assumptions which are currently 6.875% and 2.50%, respectively. The study recommended increasing rates of career salary growth and several other minor changes. The study can be viewed at www.SERS.pa.gov.

The actuary and SERS Board review the investment rate of return annually, in addition to the normal five-year experience study cycle, in recognition of changing market environments to ensure this assumption remains reasonable with each actuarial valuation. In June 2022, the SERS Board approved a reduction in the Defined Benefit Plan investment rate of return to 6.875% for 2022 from 7.0% for 2021.

The 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. Best estimates of arithmetic real rates of return for each major asset class included in SERS current and target asset allocation, as of December 31, 2025, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Private equity	16.00%	5.11%
Real estate	7.00%	3.84%
U.S. equity	37.00%	2.34%
International developed markets equity	14.00%	5.04%
Emerging markets equity	2.00%	5.53%
Fixed income	19.00%	1.98%
Inflation protection (TIPS)	3.00%	1.35%
Cash	2.00%	0.23%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 6.875% for 2025. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary and as set by statute. Based on those assumptions, 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.

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.875%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.875%) or 1-percentage-point higher (7.875%) than the current rate.

	1% Decrease (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)
Authority's proportionate share of the net pension liability	$ 1,167,022	$ 826,560	$ 538,990

Pension Plan Fiduciary Net Position

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

9. OPEB

Plan Description

The Authority contributes to the Commonwealth's Retired Employees Health Program (REHP), a single-employer defined benefit post-employment healthcare plan administered by the Pennsylvania Employee Benefits Trust Program (PEBTF) acting as a third-party administrator on behalf of the Commonwealth Office of Administration. Nearly all Commonwealth agencies and several of the Commonwealth's discretely presented component units participate in REHP. REHP provisions are established and may be amended by the Commonwealth's Executive Board, Secretary of Administration and through the collective bargaining process. The REHP does not issue a stand-alone financial statement; however, detail of the REHP is included in the Commonwealth's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025.

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Commonwealth's REHP and additions to/deductions from REHP's fiduciary net position have been determined on the same basis as they are reported by REHP. Employer benefit payments are

recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided

The REHP provides medical benefits to retired employees and their eligible dependents. These benefits are provided as a result of negotiated union contracts and through administrative policy.

Eligible employees who retire from the state and meet one of the following eligibility criteria are eligible to receive REHP benefits:

- 25 or more years of service
- 20 or more years of service and superannuation age – 60 for general employees (age 55 or 65 for employees subject to Act 120 of 2010)
- Disability retirement – requires five years of service

Spouses and dependents are eligible for subsidized post-employment medical coverage while the retiree is alive. The Patient Protection and Affordable Care Act (PPACA), signed into law on March 23, 2010, increased the dependent child age limit to age 26 and applied to the Commonwealth effective January 1, 2011.

Contributions

The Commonwealth created the OPEB investment pool, a trust equivalent arrangement, during the fiscal year ended June 30, 2008. The Commonwealth plans to contribute $50 million annually until assets cover the present value of future benefits, subject to annual evaluation.

REHP employer contribution requirements are established by the Commonwealth's Office of Administration and the Office of Budget. All employing agencies and certain plan members contributed $224 per biweekly pay period for each current REHP eligible active employee during fiscal year ended June 30, 2026 to the REHP Trust. During the year ended June 30, 2025, the Authority's required contribution to REHP was $263 biweekly per employee. The Authority's contributions to REHP for the year ended June 30, 2026 and 2025 were $12,740 and $19,008, respectively.

For employees who retired after June 30, 2005 and before July 1, 2007, the retiree contribution is set at 1% of employee's final annual salary. For employees who retired on or after July 1, 2007 but before July 1, 2011, retiree contributions are 3% for non-Medicare and 1.5% for Medicare of either final gross annual base salary or final average salary, whichever is less. For employees who retire on or after July 1, 2011, retiree contributions are 3% of their final average salary for non-Medicare and 1.5% of final average salary for Medicare.

Surviving spouses of deceased retirees may continue to participate in the plan if they pay the full cost of the coverage.

Health Care Reform

PPACA was signed into law in 2010 with the purpose of increasing the number of Americans with health insurance coverage. There are several provisions within PPACA with potentially significant short- and long-term cost implications for employers. In future years, there may continue to be increased cost impact to the extent the health and welfare program experiences increased utilization due to these changes, all of which are assumed to be in place indefinitely.

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

At June 30, 2026, the Authority reported a liability of $208,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's portion of the net OPEB liability was allocated to each employer based on a projected-contribution method. At June 30, 2025, the Authority's proportion of the net OPEB liability was approximately 0.003740 percent, which is a decrease of 0.000275 percent from its proportion measured as of June 30, 2024.

At June 30, 2026, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources for OPEB	
Changes of assumptions	$ 5,000
Differences between expected and actual experience	5,000
Contributions subsequent to the measurement date	12,740
Total deferred outflows of resources for OPEB	$ 22,740
Deferred Inflows of Resources for OPEB	
Changes of assumptions	$ 44,000
Differences between expected and actual experience	93,000
Differences between projected and actual earnings on plan investments	3,000
Changes in proportion and differences between Authority contributions and proportionate share of contributions	329,000
Total deferred inflows of resources for OPEB	$ 469,000

For the year ended June 30, 2026, the Authority recognized OPEB expense of $(174,000).

Deferred outflows of resources related to Authority OPEB contributions subsequent to the measurement date totaling $12,740 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2027. Other amounts reported as deferred outflows and inflows of resources for OPEB will be recognized in OPEB expense as follows:

2027	$ (172,000)
2028	(149,000)
2029	(103,000)
2030	(26,000)
2031	(9,000)
	$ (459,000)

Actuarial Methods and Assumptions

The following methods and assumptions were used in the June 30, 2025 actuarial valuation. These methods and assumptions were applied to all periods included in the measurement period:

Actuarial cost method	Entry age normal level percent of pay
Amortization method	Level percent of payroll, 30-year open amortization (fresh start each year)
Investment rate of return	6.75%
Projected salary increases	Average of 5.43% with range of 3.70% - 7.55%, including inflation
Asset valuation method	Fair (market) value
Inflation	2.50%
Mortality rate	Pub-2010 General Healthy Retiree Headcount Weighted Mortality Tables, with rates set forward one year for females, and adjusted for mortality improvements using projection scale MP-2021
Healthcare trend increases:	
Initial rate for medical benefits	8.5% for medicare and 8.6% for non-medicare
Ultimate rate for medical benefits	3.9% for both medicare and non-medicare
Year ultimate trend rate reached	2075

The Commonwealth's SERS performs experience studies periodically to determine reasonable and appropriate economic and demographic assumptions for valuing the defined benefit pension plan. The inflation assumption selected by the SERS Board during an April 2017 meeting are also used for the retiree health benefit valuation.

One significant assumption where the recommendation of the experience study is not applicable to this retiree health benefit valuation is the discount rate. Since REHP has insufficient assets to meet future year's projected benefit payments, as prescribed by GASB Statements Nos. 74 and 75, the discount rate was based on the 20-year Bond Buyer GO Index municipal bond rate as of the measurement date. The discount rate was 6.68% as of June 30, 2025 and 6.09% as of June 30, 2024. Medicare Part D subsidy payments are not reflected under GASB Statement No. 45 (predecessor statement to GASB No. 75) which is consistent with GASB technical bulletin 2006-1.

The long-term expected rate of return on OPEB plan investments is determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over long periods of time to come up with an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
U.S. equity	42.00%	4.9%
International equity	22.00%	10.6%
Fixed income	22.00%	2.5%
Public REITS	3.00%	0.0%
Infrastructure	4.00%	4.3%
Core real estate	5.00%	3.8%
Cash and cash equivalents	1.00%	0.9%
Private equity	1.00%	8.7%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.68% as of June 30, 2025 and 6.09% as of June 30, 2024. The single discount rate of 6.68% as of June 30, 2025 was based on the long-term expected rate of return on assets held in the OPEB investment pool (6.75%) and a municipal bond rate of 5.20% (based on the 20-year Bond Buyer GO Index as of the end of June 2025). The single discount rate of 6.09% as of June 30, 2024 was based on the long-term expected rate of return on assets held in the OPEB investment pool (6.75%) and a municipal bond rate of 3.93% (based on the 20-year Bond

Buyer GO Index as of the end of June 2024). Since REHP had insufficient assets to meet future year's projected benefit payments, the single discount rate was applied to all periods of the projected benefit payments to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each measurement period assumed that employer contributions will be made based on the current funding policy for future years.

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

The following presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 6.68% as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.68%) or 1-percentage-point higher (7.68%) than the current rate.

	1% Decrease (5.68%)	Current Discount Rate (6.68%)	1% Increase (7.68%)
Authority's proportionate share of the net OPEB liability	$ 232,000	$ 208,000	$ 186,000

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

The following presents the Authority's proportionate share of the net OPEB liability calculated using the healthcare cost trend rate of 8.6%, grading down to 3.9%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (7.6% grading down to 2.9%) or 1-percentage-point higher (9.6% grading down to 4.9%) than the current rate.

	1% Decrease (7.6%, grading down to 2.9%)	Current Trend Rate (8.6%, grading down to 3.9%)	1% Increase (9.6 %, grading down to 4.9%)
Authority's proportionate share of the net OPEB liability	$ 181,000	$ 208,000	$ 240,000

OPEB Plan Fiduciary Net Position

Detailed information about REHP's fiduciary net position is included in the Commonwealth's Annual Financial Report for the fiscal year ended June 30, 2025.

10. Board-Designated Net Position

The Board-designated net position is as follows:

Loan Fund

The Board designated net position in the Loan Fund increased from $20 million to $25 million. The $5 million increase was funded through a transfer from the Administrative Fund to the Loan Fund. The Loan Fund makes loans to schools for construction, renovation, and equipment purchases. Interest earned in the Loan Fund is transferred quarterly to the Administrative Fund and is used to fund the general operations of the Authority.

11. Conduit Debt Obligations

As discussed in Note 1, the following 56 non-recourse bond issues and leases with an aggregate principal of $1,850,427,671 were outstanding at June 30, 2026:

School	Final Maturity	Indebtedness Issued	Indebtedness Outstanding
Community College of Philadelphia, Revenue Bonds, Series of 2026	2046	$ 29,560,000	$ 29,560,000
Steelton-Highspire School District, Revenue Bonds, Series A & B of 2026	2041	10,810,000	10,810,000
Delaware County Community College, Revenue Bonds, Series of 2026	2045	34,440,000	34,440,000
Cumberland Perry Area Career & Technical Center, Revenue Bonds, Series of 2025	2045	5,330,000	5,150,000
Montgomery County Community College, Revenue Bonds, Series of 2025	2035	24,480,000	18,415,000
Community College of Beaver County, Revenue Bonds, Series A & B of 2024	2043	18,000,000	17,515,000
Clearfield County Career And Technology Center, Revenue Bonds, Series of 2024	2043	4,430,000	4,420,000
Delaware County Community College, Revenue Bonds, Series of 2023	2048	66,500,000	62,985,000
Northampton County Area Community College, Revenue Bonds, Series of 2022	2034	20,250,000	14,170,000
Colonial Intermediate Unit No. 20, Lease Revenue Bonds, Series of 2021	2030	7,504,000	3,587,769
Community College of Allegheny County, Revenue Bonds, Series of 2021	2034	27,995,000	23,270,000
Pennsylvania Highlands Community College, Revenue Bonds, Series of 2021	2040	7,500,000	5,893,000
Butler County Community College, Revenue Bonds, Series of 2021	2040	8,385,000	6,725,000
Crawford County Career and Technical Center, Revenue Bonds, Series of 2020	2036	10,020,000	7,515,000
Northampton County Area Community College, Revenue Bonds, Series of 2020	2031	37,965,000	19,640,000
Community College of Philadelphia, Revenue Bonds, Series of 2020	2040	14,580,000	14,580,000
Community College of Beaver County, Revenue Bonds, Series of 2020	2035	4,820,000	3,400,000
Community College of Allegheny County, Revenue Bonds, Series of 2020	2039	18,920,000	14,435,000
Westmoreland County Community College, Revenue Bonds, Series of 2020	2029	6,170,000	2,745,000
Butler County Community College, Revenue Bonds, Series A & B of 2019	2037	6,375,000	3,165,000
Community College of Philadelphia, Revenue Bonds, Series A of 2019	2039	9,155,000	6,870,000
Butler County Community College, Revenue Bonds, Series A of 2018	2029	6,375,000	2,560,000
Community College of Allegheny County, Revenue Bonds, Series of 2018	2037	20,000,000	13,495,000
Community College of Philadelphia, Revenue Bonds, Series of 2018	2038	24,155,000	10,515,000
Chester Upland School District, Federally Taxable Revenue Bonds (Qualified Zone Academy Bonds), Series of 2017	2030	7,500,000	7,485,000
Lehigh Career and Technical Institute, Lease Revenue Bonds, Series A & B of 2017	2040	45,865,000	33,245,000
Delaware County Community College, Revenue Bonds, Series of 2017	2036	9,650,000	6,345,000
Chester Upland School District, Revenue Bonds, Series A & B of 2016	2030	25,130,000	24,965,000
School District of Philadelphia, Lease Revenue Bonds, Series A of 2016	2036	570,010,000	464,170,000
Community College of Allegheny County, Revenue Bonds, Series of 2016	2027	9,250,000	1,110,000
School District of the City of Harrisburg, Revenue Bonds, Series A & B of 2016	2033	128,680,000	81,710,000
Westmoreland County Community College, Revenue Bonds, Series A & B of 2016	2035	46,705,000	25,150,000
Community College of Allegheny County, Revenue Bonds, Series of 2015	2035	4,000,000	2,105,000
Harrisburg Area Community College, Revenue Bonds, Series of 2015	2030	19,965,000	5,830,000
Dauphin County Technical School, Lease Revenue Bonds, Series of 2015	2030	19,405,000	7,990,000
Central Pennsylvania Institute of Science and Technology, Revenue Bonds, Series A & AA of 2014	2027	6,305,000	825,000
School District of the City of Harrisburg, Revenue Bonds, Series B-1, B-2, and C of 2014	2034	77,245,000	7,400,000
Harrisburg Area Community College, Revenue Bonds, Series of 2014	2027	22,510,000	2,735,000
Montgomery County Intermediate Unit, Revenue Bonds, Series of 2013	2034	5,342,784	2,260,198
Lehigh Carbon Community College, Revenue Bonds, Series A & B of 2013	2033	5,290,000	1,650,000
Jefferson County-Dubois Area Vocational-Technical School, Revenue Bonds, Series of 2012	2029	11,425,000	2,520,000
Westmoreland County Community College, Revenue Bonds, Series A & B of 2012	2031	21,875,000	6,155,000
Mon Valley Career & Technology Center, General Obligation Secured Bonds, Series of 2012	2026	8,020,000	680,000
Federally Taxable Revenue Bonds (Qualified Zone Academy Bonds), Series D of 2011	2029	24,716,000	24,716,000
Federally Taxable Revenue Bonds (Qualified School Construction Bonds), Series C of 2011	2029	185,436,000	185,060,000
Chester Upland School District, Revenue Bonds, Series A, B, C & D of 2011	2026	55,115,000	6,470,000
Federally Taxable Revenue Bonds (Qualified Zone Academy Bonds), Series B of 2011	2026	40,308,000	40,308,000
Federally Taxable Revenue Bonds (Qualified School Construction Bonds), Series A of 2011	2026	31,000,000	31,000,000
Federally Taxable Revenue Bonds (Qualified Zone Academy Bonds), Series C of 2010	2028	22,942,000	22,942,000
Federally Taxable Revenue Bonds (Qualified School Construction Bonds), Series B of 2010	2028	57,473,000	57,473,000
Federally Taxable Revenue Bonds (Qualified School Construction Bonds), Series A of 2010	2027	325,526,000	313,907,000
South Park School District, Revenue Bonds, Series A of 2009	2030	9,850,000	9,360,000

(Continued)

School	Final Maturity	Indebtedness Issued	Indebtedness Outstanding	
School District of Philadelphia, Lease Revenue Bonds, Series A & B of 2006	2036	$ 862,695,000	$ 83,365,000	
Wattsburg Area School District, Revenue Bonds, Series of 2004	2031	14,069,133	8,167,379	*
School District of Philadelphia, Lease Revenue Bonds, Series of 2003	2033	588,140,000	43,505,000	
Butler County Community College, Revenue Bonds, Series G of 2000	2031	4,121,861	3,963,325	*
			$ 1,850,427,671	

* – Accreted bonds

A summary of changes in conduit debt outstanding for the year ended June 30, 2026 is presented below:

Conduit debt, July 1, 2025	$ 2,047,708,111
Additions:	
Revenue bonds issued	74,810,000
Accretion of interest	834,509
Reductions:	
Principal retirements	(120,944,949)
Refunding of principal	(151,980,000)
Conduit debt, June 30, 2026	$ 1,850,427,671

REQUIRED SUPPLEMENTARY INFORMATION

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY

COMMONWEALTH OF PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM PLAN

YEAR ENDED JUNE 30, 2026

	2025 *	2024	2023	2022	2021	2020	2019	2018	2017	2016
Authority's proportion of the collective net pension liability	0.00481408%	0.00603296%	0.00591964%	0.00749286%	0.01166818%	0.01090247%	0.01147850%	0.01065802%	0.01297674%	0.01222824%
Authority's proportionate share of the collective net pension liability	$ 826,560	$ 1,215,982	$ 1,251,176	$ 1,711,988	$ 1,700,102	$ 1,994,765	$ 2,086,561	$ 2,220,174	$ 2,243,900	$ 2,355,199
Authority's covered payroll	$ 291,251	$ 364,496	$ 346,767	$ 482,659	$ 719,439	$ 689,291	$ 715,149	$ 623,622	$ 746,811	$ 703,669
Authority's proportionate share of the collective net pension liability as a percentage of its covered payroll	283.8%	333.6%	360.8%	354.7%	236.3%	289.4%	291.8%	356.0%	300.5%	334.7%
Plan fiduciary net position as a percentage of the total pension liability	73.3%	67.7%	65.3%	61.5%	76.0%	67.0%	63.1%	56.4%	63.0%	57.8%

* The amount presented for this fiscal year was determined as of the calendar year-end that occurred within the fiscal year.

See accompanying notes to required supplementary information - pension information.

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

SCHEDULE OF AUTHORITY'S PENSION CONTRIBUTIONS

COMMONWEALTH OF PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM PLAN

YEAR ENDED JUNE 30, 2026

	2025 *	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$127,694	$148,355	$158,287	$213,504	$219,118	$281,899	$218,278	$248,407	$240,602	$193,165
Contributions in relation to the contractually required contribution	114,361	141,170	146,138	172,872	251,714	250,413	241,670	222,271	260,719	218,844
Contribution deficiency (excess)	$ 13,333	$ 7,185	$ 12,149	$ 40,632	$ (32,596)	$ 31,486	$ (23,392)	$ 26,136	$ (20,117)	$ (25,679)
Authority's covered payroll	$291,251	$364,496	$346,767	$495,308	$721,576	$727,927	$692,215	$642,756	$757,246	$726,061
Contributions as a percentage of covered payroll	39.3%	38.7%	42.1%	34.9%	34.9%	34.4%	34.9%	34.6%	34.4%	30.1%

* The amount presented for this fiscal year was determined as of the calendar year-end that occurred within the fiscal year.

See accompanying notes to required supplementary information - pension information.

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(A COMPONENT UNIT OF THE COMMONWEALTH OF PENNSYLVANIA)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION INFORMATION

YEAR ENDED JUNE 30, 2026

1. Changes of Assumptions

The actuarial valuation uses assumptions regarding future rates of investment return (discount rate) and rates of retirement, withdrawal, death, and disability among State Employees' Retirement Board (SERS) members and their beneficiaries. The current set of assumptions used in the December 31, 2025 actuarial valuation was adopted by the SERS Board based upon actual experience of SERS during the years 2020 through 2024. The *20th Investigation of Actuarial Experience* covering the period 2020-2024 was released and approved by the SERS Board in July 2025. The study did not recommend changes to the investment rate of return or the inflation assumptions which are currently 6.875% and 2.50%, respectively. The study recommended increasing rates of career salary growth and several other minor changes.

As a result of the review undertaken during June of 2022, the SERS Board approved a reduction in the annual discount rate assumption from 7.0% to 6.875%. This change became effective with the December 31, 2022 actuarial valuation.

2. Factors and Trends Used in the Actuarial Valuation for Pension Benefits

The actuarially determined contributions are calculated as the Authority's percentage of the total of (1) the employer normal cost percentage and (2) the net amortization of the unfunded liability, but not less than any applicable minimum contribution as prescribed by the Pennsylvania State Employees' Retirement Code. The following actuarial methods and assumptions were used to determine contribution rates reported in the pension required supplementary schedules:

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(A COMPONENT UNIT OF THE COMMONWEALTH OF PENNSYLVANIA)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION INFORMATION

YEAR ENDED JUNE 30, 2026

Valuation date	December 31, 2025
Actuarial cost method	Entry age
Amortization method	Straight-line amortization of difference between projected and actual earnings on pension plan 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
Investment rate of return	6.875% net of expense, including inflation
Projected salary increases	Average of 5.43% with range of 3.70% - 7.55%, including inflation
Asset valuation method	Fair (market) value
Inflation	2.50%
Mortality rate	Projected PubG-2016 Mortality Tables adjusted for actual plan experiences and future improvement

The following was updated in the December 31, 2025 actuarial valuation: projected salary increases increased from average of 4.58% to 5.43%.

The following was updated in the December 31, 2024 actuarial valuation: projected salary increases increased from average of 4.55% to 4.58%.

The following was updated in the December 31, 2022 actuarial valuation: investment rate of return decreased from 7.0% for December 31, 2020 to 6.875% for December 31, 2022.

The following was updated in the December 31, 2020 actuarial valuation: investment rate of return decreased from 7.125% for December 31, 2019 to 7.00% for December 31, 2020 and the assumed rate of inflation decreased from 2.60% for December 31, 2019 to 2.50% for December 31, 2020.

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY

COMMONWEALTH OF PENNSYLVANIA
RETIRED EMPLOYEES HEALTH PROGRAM

YEAR ENDED JUNE 30, 2026

	2025 *	2024	2023	2022	2021	2020	2019	2018	2017
Authority's proportion of the collective net OPEB liability	0.003740%	0.004015%	0.004575%	0.007980%	0.008724%	0.009131%	0.010311%	0.011852%	0.014196%
Authority's proportionate share of the collective net OPEB liability	$ 208,000	$ 280,000	$ 356,000	$ 787,000	$ 893,000	$ 1,125,000	$ 1,074,000	$ 1,740,000	$ 2,847,000
Authority's covered payroll	$ 427,000	$ 358,000	$ 359,000	$ 613,000	$ 722,000	$ 751,000	$ 608,000	$ 771,000	$ 739,000
Authority's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	48.7%	78.2%	99.2%	128.4%	123.7%	149.8%	176.6%	225.7%	385.3%
Plan fiduciary net position as a percentage of the total OPEB liability	16.4%	11.6%	8.8%	5.9%	6.1%	3.7%	3.8%	2.2%	1.4%

* The amount presented for this fiscal year was determined as of the prior fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years for which information is available.

See accompanying notes to required supplementary information - OPEB information.

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(A Component Unit of the Commonwealth of Pennsylvania)

SCHEDULE OF AUTHORITY'S OPEB CONTRIBUTIONS

COMMONWEALTH OF PENNSYLVANIA
RETIRED EMPLOYEES HEALTH PROGRAM

YEAR ENDED JUNE 30, 2026

	2025 *	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 20,000	$ 22,000	$ 13,000	$ 19,000	$ 24,000	$ 43,000	$ 62,000	$ 59,000	$ 106,000
Contributions in relation to the contractually required contribution	17,000	20,000	21,000	38,000	40,000	43,000	58,000	71,000	94,000
Contribution deficiency (excess)	$ 3,000	$ 2,000	$ (8,000)	$ (19,000)	$ (16,000)	$ -	$ 4,000	$ (12,000)	$ 12,000
Authority's covered payroll	$ 427,000	$ 358,000	$ 359,000	$ 613,000	$ 722,000	$ 751,000	$ 608,000	$ 771,000	$ 739,000
Contributions as a percentage of covered payroll	4.0%	5.6%	5.8%	6.2%	5.5%	5.7%	9.5%	9.2%	12.7%

* The amount presented for this fiscal year was determined as of the prior fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years for which information is available.

See accompanying notes to required supplementary information - OPEB information.

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(A COMPONENT UNIT OF THE COMMONWEALTH OF PENNSYLVANIA)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
OPEB INFORMATION

YEAR ENDED JUNE 30, 2026

1. Changes of Assumptions

Since REHP has insufficient assets to meet future year's projected benefit payments, as prescribed by GASB Nos. 74 and 75, a single discount rate of 6.68% was based on the long-term expected rate of return on assets held in the OPEB investment pool (6.75%) and a municipal bond rate of 5.20% (based on the 20-year Bond Buyer GO Index as of the end of June 2025). The discount rate was 6.68% as of June 30, 2025, 6.09% as of June 30, 2024, 5.65% as of June 30, 2023, and 4.67% as of June 30, 2022. The initial medical trend rate for non-Medicare and Medicare was 8.6% and 8.5% as of June 30, 2025, 8.2% for both non-Medicare and Medicare as of June 30, 2024, and 8.9% and 9.0% as of June 30, 2023.

2. Factors and Trends Used in the Actuarial Valuation for OPEB Benefits

The actuarially determined contributions are calculated as the Authority's percentage of the total of (1) the employer normal cost percentage and (2) the net amortization of the unfunded liability, but not less than any applicable minimum contribution as prescribed by the Pennsylvania State Employees' Retirement Code. The following actuarial methods and assumptions were used to determine contribution rates reported in the required supplementary schedules:

Actuarial cost method	Entry age normal level percent of pay
Amortization method	Level percent of payroll, 30-year open amortization (fresh start each year)
Investment rate of return	6.75%
Projected salary increases	Average of 5.43% with range of 3.70% - 7.55%, including inflation
Asset valuation method	Fair (market) value
Inflation	2.50%
Mortality rate	Pub-2010 General Healthy Retiree Headcount Weighted Mortality Tables, with rates set forward one year for females, and adjusted for mortality improvements using projection scale MP-2021
Healthcare trend increases:	
Initial rate for medical benefits	8.5% for medicare and 8.6% for non-medicare
Ultimate rate for medical benefits	3.9% for both medicare and non-medicare
Year ultimate trend rate reached	2075

The following was updated in the June 30, 2025 actuarial valuation: the initial rate for medical benefits changed from 8.2% for Medicare and 8.2% for non-Medicare for June 30, 2024 to 8.5% for Medicare and 8.6% for non-Medicare for June 30, 2025. The following was updated in the June 30, 2024 actuarial valuation: the initial rate for medical benefits changed from 9.0% for Medicare and 8.9% for non-Medicare for June 30, 2023 to 8.2% for Medicare and 8.2% for non-Medicare for June 30, 2024. The following was updated in the June 30, 2023 actuarial valuation: the initial rate for medical benefits changed from 6.3% for Medicare and 7.3% for non-Medicare for June 30, 2022 to 9.0% for Medicare and 8.9% for non-Medicare for June 30, 2023. The following was updated in the June 30, 2022 actuarial valuation: the initial rate for medical benefits changed from 6.7% for Medicare and 6.9% for

non-Medicare for June 30, 2021 to 6.3% for Medicare and 7.3% for non-Medicare for June 30, 2022. The following was updated in the June 30, 2021 actuarial valuation: the initial rate for medical benefits changed from 6.1% for Medicare and 6.6% for non-Medicare for June 30, 2020 to 6.7% for Medicare and 6.9% for non-Medicare for June 30, 2021. The investment rate of return increased from 5.00% for June 30, 2020 to 6.75% for June 30, 2021 and the assumed rate of inflation decreased from 2.60% for June 30, 2020 to 2.5% for June 30, 2021.