



Commonwealth of Pennsylvania

Annual Comprehensive Financial Report

For the Fiscal Year
Ended June 30, 2021

Governor
Tom Wolf

-THIS PAGE INTENTIONALLY LEFT BLANK-

Commonwealth of Pennsylvania

Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2021

Tom Wolf, Governor



**Prepared By:
Office of the Budget**

***Gregory Thall
Secretary***

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

**This document is available on the Office of the Budget homepage at: www.budget.pa.gov
Click on Publications & Reports for access to the current and previous reports.**

**Commonwealth of Pennsylvania
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Title Page	1
Table of Contents	2
Letter of Transmittal	5
Commonwealth of Pennsylvania Organization Chart	10
Office of the Budget-Office of Comptroller Operations Organization Chart	11
Principal Leadership	12
Certificate of Achievement	13
FINANCIAL SECTION	
REPORT OF INDEPENDENT AUDITORS	16
MANAGEMENT’S DISCUSSION AND ANALYSIS	19
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	48
Statement of Activities	50
Fund Financial Statements:	
Balance Sheet-Governmental Funds	52
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position	54
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	56
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds to the Statement of Activities	57
Statement of Net Position-Proprietary Funds	58
Statement of Revenues, Expenses, and Changes in Net Position-Proprietary Funds	60
Statement of Cash Flows-Proprietary Funds	62
Statement of Fiduciary Net Position-Fiduciary Funds	64
Statement of Changes in Fiduciary Net Position-Fiduciary Funds	65
Statement of Net Position-Discretely Presented Component Units	66
Statement of Activities-Discretely Presented Component Units	68
Notes to the Financial Statements	69
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Pension Amounts-Commonwealth’s Proportionate Share of the Net Pension Liability	202
Schedule of Pension Amounts-Commonwealth’s Schedule of Contributions	203
Schedule of OPEB Amounts-Changes in the Net OPEB Liability and Related Ratios	204
Schedule of OPEB Amounts-Contributions and Investment Returns	206
Schedule of OPEB Amounts-Changes in the Total OPEB Liability and Related Ratios	207
Budgetary Comparison Schedule-Budgeted Major Funds-General Fund	208
Budgetary Comparison Schedule-Budgeted Major Funds-Special Revenue Fund-Motor License	209
Notes to the Required Supplementary Information	210
COMBINING FINANCIAL STATEMENTS (including Nonmajor Budgetary Comparison Schedules):	
Governmental Funds-Combining Financial Statements:	
Combining Balance Sheet-Nonmajor Governmental Funds	214
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	215

Special Revenue Funds-Combining Financial Statements (including Nonmajor Budgetary Comparison Schedules):	
Special Revenue Funds-Description-Nonmajor Funds	218
Combining Balance Sheet-Nonmajor Governmental Funds-Special Revenue Funds	219
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances- Nonmajor Governmental Funds-Special Revenue Funds	220
Budgetary Comparison Schedule-Budgeted Nonmajor Funds-Special Revenue Fund- Banking Fund	221
Budgetary Comparison Schedule-Budgeted Nonmajor Funds-Special Revenue Fund- Milk Marketing	222
Budgetary Comparison Schedule-Budgeted Nonmajor Funds-Special Revenue Fund- Workmen’s Compensation Administration	223
Debt Service Funds-Combining Financial Statements:	
Debt Service Funds-Description-Nonmajor Funds	226
Combining Balance Sheet-Nonmajor Governmental Funds-Debt Service Funds	227
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances- Nonmajor Governmental Funds-Debt Service Funds	228
Capital Projects Funds-Combining Financial Statements:	
Capital Projects Funds-Description-Nonmajor Funds	230
Combining Balance Sheet-Nonmajor Governmental Funds-Capital Projects Funds	231
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances- Nonmajor Governmental Funds-Capital Projects Funds	232
Proprietary Funds-Combining Financial Statements-Enterprise Funds:	
Enterprise Funds-Description-Nonmajor Funds	234
Combining Statement of Net Position-Nonmajor Proprietary Funds-Enterprise Funds	236
Combining Statement of Revenues, Expenses, and Changes in Net Position- Nonmajor Proprietary Funds-Enterprise Funds	238
Combining Statement of Cash Flows-Nonmajor Proprietary Funds-Enterprise Funds	240
Proprietary Funds-Combining Financial Statements-Internal Service Funds:	
Internal Service Funds-Description	244
Combining Statement of Net Position-Nonmajor Proprietary Funds-Internal Service Funds	245
Combining Statement of Revenues, Expenses, and Changes in Net Position- Nonmajor Proprietary Funds-Internal Service Funds	246
Combining Statement of Cash Flows-Nonmajor Proprietary Funds-Internal Service Funds	247
Fiduciary Funds-Combining Financial Statements-Pension (and Other Employee Benefit) Trust Funds:	
Pension (and Other Employee Benefit) Trust Funds-Description	250
Combining Statement of Fiduciary Net Position-Pension (and Other Employee Benefit) Trust Funds	252
Combining Statement of Changes in Fiduciary Net Position- Pension (and Other Employee Benefit) Trust Funds	254
Fiduciary Funds-Combining Financial Statements-Custodial Funds:	
Custodial Funds-Description	256
Combining Statement of Fiduciary Net Position-Custodial Funds	257
Combining Statement of Changes in Fiduciary Net Position-Custodial Funds	258
Discretely Presented Component Units:	
Nonmajor Discretely Presented Component Units-Description	260
Combining Statement of Net Position-Nonmajor Discretely Presented Component Units	262
Combining Statement of Activities-Nonmajor Discretely Presented Component Units	264

STATISTICAL SECTION

Statistical Section Table of Contents	266
Table 1-Net Position by Component	268
Table 2-Changes in Net Position	270
Table 3-Governmental Fund Type Fund Balances	272
Table 4-Revenues by Source and Expenditures by Function-All Governmental Fund Types	273
Table 5-Personal Income Tax-Personal Income by Industry	274
Table 6-Personal Income Tax-Personal Income Tax Filers and Liability by Income Level	275
Table 7-Sales Tax-Estimated Taxable Sales by Industry Classification of the Vendor	276
Table 8-Sales Tax-Sales Tax Remittances by Major Industry Classification	277
Table 9-Corporate Tax-Corporate Net Income Tax	278
Table 10-Outstanding Debt and Outstanding Debt Ratios	279
Table 11-Ratios of General Obligation Bonded Debt Outstanding	280
Table 12-Computation of Legal Debt Margin	281
Table 13-Employment by Nonfarm Related Industry	282
Table 14-Population and Per Capita Personal Income	283
Table 15-Employment Information	283
Table 16-Commonwealth Employees by Function and Agency	284
Table 17-Operating Indicators by Function and Agency	286
Table 18-Capital Asset Information by Function and Agency	288

Appendix

Legend of Abbreviations	290
-------------------------------	-----



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR

GREGORY THALL
SECRETARY
GOVERNOR'S OFFICE OF THE BUDGET

December 10, 2021

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

We are pleased to present this Annual Comprehensive Financial Report (ACFR) of the Commonwealth of Pennsylvania (Commonwealth) as of and for the fiscal year ended June 30, 2021. The Office of the Budget, Office of Comptroller Operations, prepared this report, which includes the Basic Financial Statements, pursuant to the power vested in the Governor under Section 701 of the Administrative Code and delegated to the Secretary of the Budget by Executive Order No. 1984-3, dated October 11, 1984.

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

The Commonwealth's June 30, 2021 Basic Financial Statements have been jointly audited by the Department of the Auditor General and CliftonLarsonAllen LLP, an independent public accounting firm. The independent auditors' unmodified opinion is included in the beginning of the Financial Section of this ACFR. The auditors' opinion provides a reasonable basis for users to rely on the information that is included in the Basic Financial Statements.

Management's Discussion and Analysis (MD&A), which precedes the June 30, 2021 Basic Financial Statements, provides an overview of the Commonwealth's financial position and activities thus helping readers to understand the Basic Financial Statements. This section immediately follows the auditors' opinion. In addition to the MD&A and Basic Financial Statements, this ACFR includes: budgetary comparison schedules; combining fund financial statements; other supporting schedules; narrative information describing individual funds; and statistical tables presenting financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information as reported over the last ten fiscal years.

PROFILE OF THE GOVERNMENT

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

The Commonwealth of Pennsylvania provides a wide range of services to enhance the quality of life for its 12.8 million citizens. The Commonwealth divides these essential services into seven broad program categories, consisting of direction and supportive services, protection of persons and property, health and human services, public education, economic development, transportation, and recreation and cultural enrichment. This programmatic approach enables Pennsylvania to effectively serve its citizens.

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

Pennsylvania government has three distinct branches: the legislative branch, the judicial branch, and the executive branch. The legislative branch, comprised of the Senate and House of Representatives, develops and passes the Commonwealth's laws. The judicial branch, made up of the Pennsylvania Supreme Court as well as other specialized courts, serves the Commonwealth by interpreting the laws put in place by the legislative branch. The executive branch, consisting of the elected Governor, Auditor General, Attorney General, State Treasurer, and other appointed officials, works to enforce the laws established by the legislative branch. With these three branches of the Pennsylvania state government, an effective system of checks and balances is created. The Commonwealth's principal leadership and organization charts at June 30, 2021 are incorporated immediately following this letter.

GENERAL FUND

The General Fund, the Commonwealth's largest operating fund, may be used to assess Pennsylvania's financial position and activities for the fiscal year ended June 30, 2021. It accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in special funds, and accounts for a significant portion of Commonwealth expenditures. Tax revenues, principally personal and corporate net income, and sales and use taxes, constitute approximately 97.0% of the General Fund budgetary basis state revenues.

BUDGET ADOPTION AND LEGAL COMPLIANCE BUDGETARY COMPARISON SCHEDULE

A discussion of the Commonwealth's annual budget process is included as Required Supplementary Information (RSI) immediately following the Notes to the Financial Statements. The legally adopted budget provides statutory control over spending. Under Commonwealth law, expenditures cannot exceed amounts appropriated. Budgetary control is exercised by specific, line-item appropriations. The Budgetary Comparison Schedule, included as RSI, provides original budget, final budget and actual budgetary results for the fiscal year ended June 30, 2021.

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

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

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

<u>Fiscal year</u>	<u>Balance/Deficit</u>	<u>Increase/Decrease</u>
2021	\$ —	\$ 2,715
2020 (revised)	(2,715)	(2,745)
2019 (revised)	30	63
2018 (revised)	(33)	1,492
2017 (revised)	(1,525)	(1,530)

During the fiscal year ended June 30, 2021, General Fund revenues exceeded General Fund expenditures by \$5,117, resulting in a transfer of the full surplus, after prior year lapses, to the Budget Stabilization Fund in the amount \$2,622. The budgetary basis results for the fiscal year ended June 30, 2021 include revenue collections totaling \$93,885, less appropriation authorizations totaling \$88,768, less other net financing uses totaling \$2,402 that includes the Budget Stabilization Fund transfer. Included in the \$88,768 appropriation authorizations are \$850 of state supplemental appropriations and \$58 in federal supplemental appropriations authorized for the fiscal year ended June 30, 2021 (amounts in millions).

ECONOMIC CONDITION

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

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

Portions of the state, especially the Pittsburgh area, have become magnets for high-tech jobs such as software development and robotics. Pittsburgh has continued to build on its reputation as one of the nation’s leading cities for startup businesses, in part due to the presence of its universities and the graduates they produce.

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

As with everywhere else, Pennsylvania's economic growth over the next few years depends greatly on progress in identifying a vaccine or effective treatment for COVID-19, as that is key to a full reopening of the global economy. The leisure and hospitality sector may take several years to fully recover as travelers gradually return to the roadways and air. Healthcare services should recover quickly from the early impact of the pandemic, and growth is likely to return to pre-COVID-19 levels. Real gross state product is expected to grow by an annual average of 2.7 percent per year from 2020 to 2025, slightly below the national rate of 2.9 percent. Personal income is estimated to rise by 2.6 percent, compared with 3.1 percent for the nation.

LONG-TERM FINANCIAL PLANNING

During fiscal year 2020-21 the Commonwealth continued its commitment to overcome unprecedented fiscal challenges and meet the most critical health, safety and relief needs in response to the coronavirus (COVID-19) pandemic. While redeveloping its fiscal strategies to improve the strength of its general fund, the Commonwealth also maximized use of federal funding opportunities provided through the CARES Act and the American Rescue Plan Act (ARPA) to transform a deficit position to a surplus of \$2.6 billion. Such federal funding included \$3.9 billion in direct relief through the Coronavirus Relief Fund and \$7.3 billion provided through ARPA for state fiscal relief. The Commonwealth also continues to leverage other special funds that can be used to meet critical program and administrative needs.

Act 114 of 2020 (amending the Fiscal Code) transferred a total of \$531.2 million of special fund resources to the general fund, including \$100.0 million from the budget stabilization reserve fund. As an offset, Act 24 of 2021 (also amending the Fiscal Code) transferred the full amount of the 2020-21 general fund surplus to the budget stabilization reserve fund.

As the Commonwealth plans for the 2022-23 fiscal year, agencies continue to prioritize sound budget planning. Given the ongoing financial and operational impacts attributed to the COVID-19 pandemic, the focus is not only on cost-containment, but on cost reduction while maintaining critical programs.

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

Updated projections of the Commonwealth's financial activity and expenditures will be included in the Governor's Fiscal Year 2022-23 Executive Budget request which will be available on February 1, 2022 via the Office of the Budget's website (www.budget.pa.gov).

CERTIFICATE OF ACHIEVEMENT

The ACFR will be submitted to the Government Finance Officers Association of the United States and Canada (GFOA) to determine its eligibility for the GFOA's Certificate of Achievement for Excellence in Financial Reporting. The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth of Pennsylvania for its ACFR as of and for the fiscal year ended June 30, 2020. This represents the thirty-fifth consecutive year the Commonwealth of Pennsylvania has received this award.

To merit a certificate of achievement, a government unit must publish an easily readable and efficiently organized ACFR, which conforms to GFOA standards and satisfies both generally accepted accounting principles and applicable legal requirements. A certificate of achievement is valid for a period of one year only. We believe the ACFR of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 2021 conforms to the GFOA's award criteria.

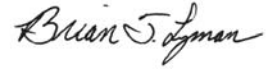
ACKNOWLEDGMENTS

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

Sincerely,

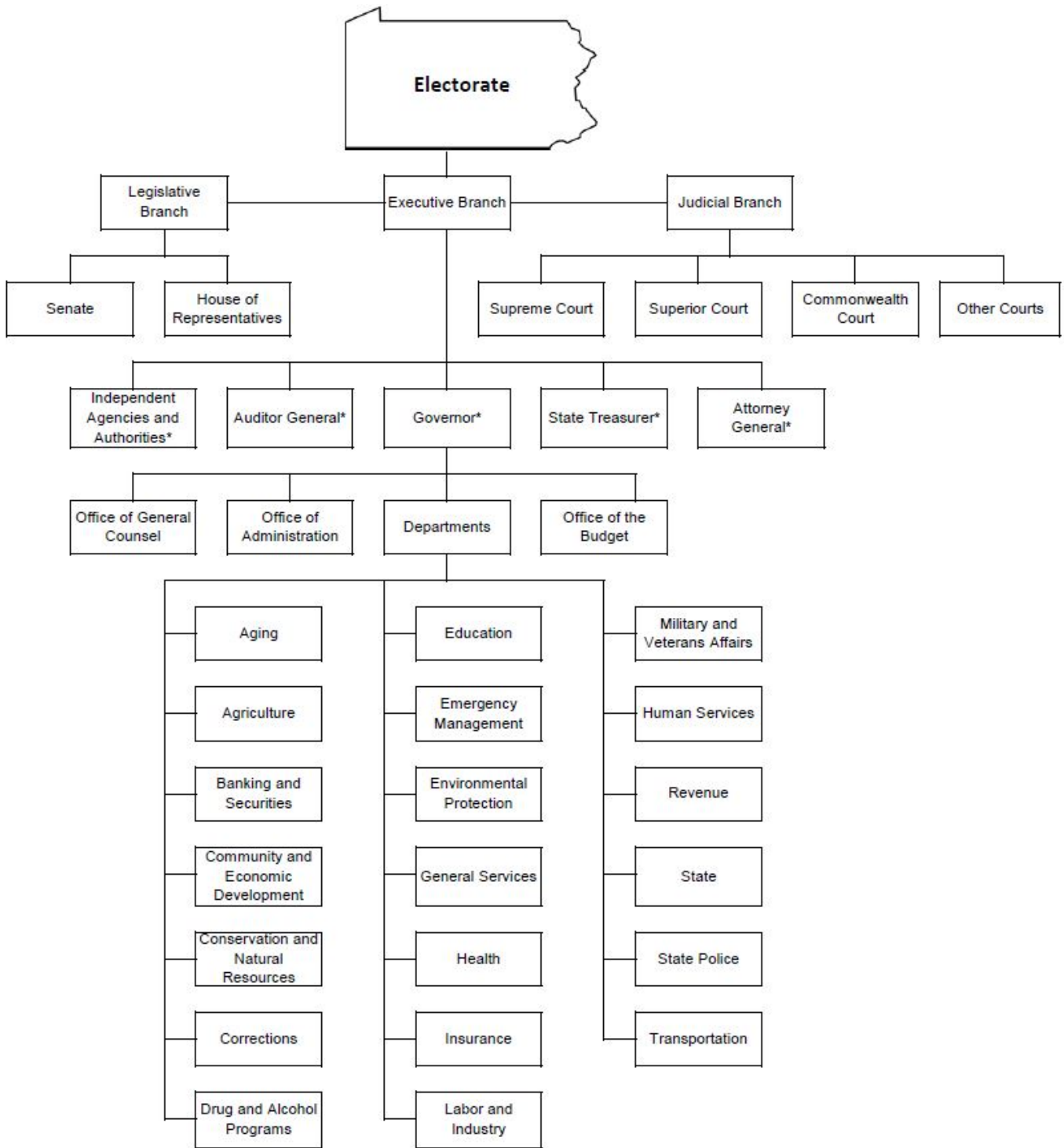


Gregory Thall
Secretary
Office of the Budget



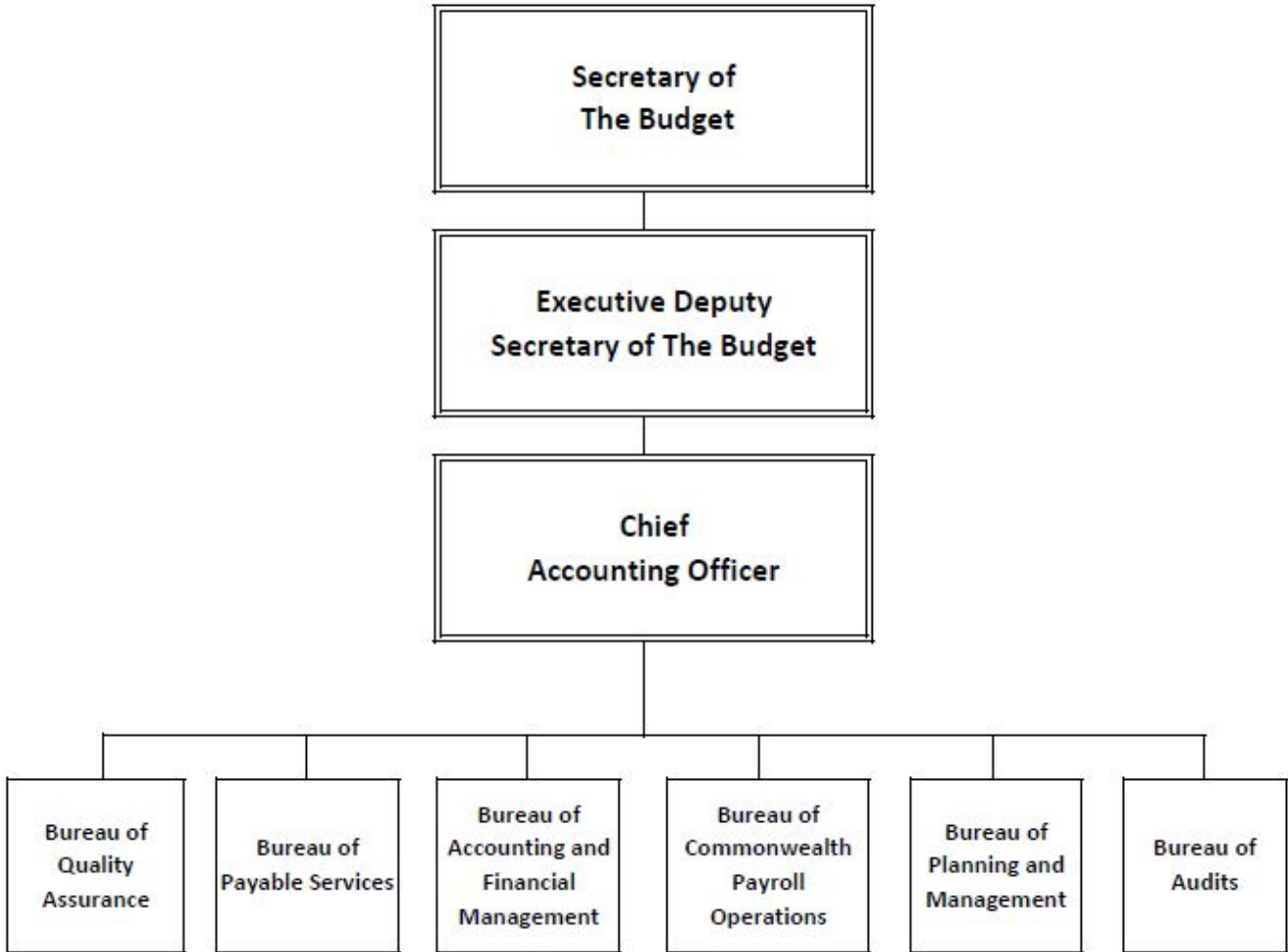
Brian Lyman, CPA
Chief Accounting Officer
Office of the Budget

**COMMONWEALTH OF PENNSYLVANIA
ORGANIZATION CHART
June 30, 2021**



*Independently Elected

OFFICE OF THE BUDGET
OFFICE OF COMPTROLLER OPERATIONS
ORGANIZATION CHART
June 30, 2021



Principal Leadership

Commonwealth Elected and Selected Appointed Officials as of June 30, 2021

Tom Wolf, Governor

John Fetterman, Lieutenant Governor

Stacy Garrity, Treasurer

Timothy DeFoor, Auditor General

Josh Shapiro, Attorney General

Gregory Thall, Secretary of the Budget

Michael Newsome, Secretary of Administration

Jake Corman, President pro Tempore, Senate

Bryan Cutler, Speaker of the House

Thomas Saylor, Chief Justice State Supreme Court



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Commonwealth of Pennsylvania

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

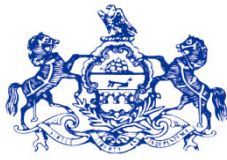
Executive Director/CEO

-THIS PAGE INTENTIONALLY LEFT BLANK-



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Financial Section



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

INDEPENDENT AUDITORS' REPORT

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

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Pennsylvania (the Commonwealth), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

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

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets / Deferred Outflow of Resources	Revenues / Additions
Business-Type Activities	Tuition Payment Fund; State Stores Fund; Commonwealth Financing Authority; Philadelphia Regional Port Authority	52%	9%
Major Proprietary Fund	Tuition Payment Fund	100%	100%
Major Proprietary Fund	State Stores Fund	100%	100%
Major Proprietary Fund	Commonwealth Financing Authority	100%	100%
Aggregate Discretely Presented Component Units	Pennsylvania Turnpike Commission; Pennsylvania Housing Finance Agency; Pennsylvania Higher Education Assistance Agency; Pennsylvania Infrastructure Investment Authority; State System of Higher Education; State Public School Building Authority; Philadelphia Shipyard Development Corporation; Port of Pittsburgh Commission; Pennsylvania Industrial Development Authority; Pennsylvania Convention Center Authority; Thaddeus Stevens College of Technology; Pennsylvania Higher Educational Facilities Authority, Pennsylvania Rural Health Redesign Center Authority, Pennsylvania Health Insurance Exchange Authority	100%	100%

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets / Deferred Outflow of Resources	Revenues / Additions
Aggregate Remaining Fund Information	Philadelphia Regional Port Authority; State Employees' Retirement System; Deferred Compensation Fund; Public School Employees' Retirement System; Tuition Account Investment Program; INVEST Program	92%	77%

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Pennsylvania as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principle

During fiscal year ended June 30, 2021, the Commonwealth adopted GASB Statement No. 87 *Leases*. As a result of the implementation of this standard, the Commonwealth reported a restatement for the change in accounting principle (see Note 18). Our auditors' opinion was not modified with respect to the restatement.

Pennsylvania Turnpike Commission

The Pennsylvania Turnpike Commission, a discretely presented component unit, has committed to making significant payments under an Amended Lease and Funding Agreement as required under the terms of Act 44 of 2007 and Act 89 of 2013. The Pennsylvania Turnpike Commission's ability to make such payments is dependent on its continuing capability to issue bonds to fund such payments and ultimately to raise tolls sufficient to repay its bonded debt and current lease payments (see Note 16). Our auditors' opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

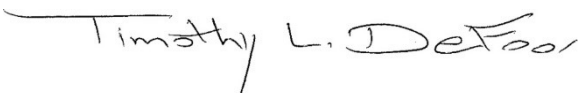
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20-44, and the schedules of pension and OPEB amounts and the budgetary comparison schedules, as listed in the table of contents and notes to the required supplementary information on pages 202-212 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth's basic financial statements. The introductory section, combining fund and component unit financial statements, budgetary comparison schedules for budgeted non-major special revenue funds, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund and component unit financial statements, and the budgetary comparison schedules for budgeted non-major special revenue funds, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors 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 by us and other auditors. In our opinion based on our audit, the procedures performed as described above and the reports of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



Harrisburg, Pennsylvania
December 10, 2021



Baltimore, Maryland
December 10, 2021



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Management's Discussion and Analysis

The Management’s Discussion and Analysis (MD&A) of the Commonwealth of Pennsylvania’s (Commonwealth’s) Annual Comprehensive Financial Report (ACFR) is presented as Required Supplementary Information and provides a review and analysis of the Commonwealth’s financial statements for the fiscal year ended June 30, 2021 and a comparison to the prior fiscal year. The MD&A should be reviewed in conjunction with the Letter of Transmittal, which begins on page 5 of this report, and with the Commonwealth’s financial statements, which follow.

Table of Contents

Section A: Understanding Government Financial Stmts 20
 Section B: Commonwealth’s Overall Financial Activity 22
 Section C: Condensed Financial Information 24
 Section D: Individual Fund Analysis 30
 Section E: Budget Analysis Overview 41
 Section F: Capital Asset and Long-term Debt Activity 42
 Section G: Currently Known Facts 44

Section A: Understanding Government Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Section B: Commonwealth's Overall Financial Activity

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

Government-wide Revenues

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

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

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

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

Government-wide Expenses

Governmental Activities:

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

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

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

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

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

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

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

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

Business-Type Activities:

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

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

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

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

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

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

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

Section C: Condensed Financial Information

Government-wide Statement of Net Position as of June 30, 2021 and 2020

(Amounts in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Assets:						
Cash and investments	\$ 23,490	\$ 10,508	\$ 7,060	\$ 7,326	\$ 30,550	\$ 17,834
Capital assets (net)	42,640	40,905	1,055	752	43,695	41,657
All other assets	14,102	14,304	2,957	6,526	17,059	20,830
Total assets	80,232	65,717	11,072	14,604	91,304	80,321
Total deferred outflows	7,571	4,122	316	198	7,887	4,320
Liabilities:						
Accounts payable	11,867	11,170	2,200	6,096	14,067	17,266
All other current liabilities	12,362	7,971	2,507	943	14,869	8,914
Bonds payable, noncurrent	10,821	10,674	4,490	4,281	15,311	14,955
All other long-term liabilities	39,744	34,788	4,121	3,886	43,865	38,674
Total liabilities	74,794	64,603	13,318	15,206	88,112	79,809
Total deferred inflows	10,447	11,862	696	647	11,143	12,509
Net position:						
Net investment in capital assets	36,091	34,889	769	753	36,860	35,642
Restricted	4,251	3,194	1,348	2,896	5,599	6,090
Unrestricted	(37,780)	(44,709)	(4,743)	(4,700)	(42,523)	(49,409)
Total net position	\$ 2,562	\$ (6,626)	\$ (2,626)	\$ (1,051)	\$ (64)	\$ (7,677)

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

Cash and investments net increase:

- Governmental Activities total cash and investments increased \$12,982. A substantial portion of the increase was associated with the receipt of \$7,291 in federal grant funding under the American Rescue Plan Act (ARPA) of 2021 for State Fiscal Recovery. The ARPA monies were received in May and will be appropriated for the upcoming fiscal years. Total revenues exceed expenditures largely due to a resurgence in personal income, sales and use, corporation, and gaming tax collections, resulting in an increase in Investment and Tax income of \$5,270.
- Business-Type Activities total cash and investments decreased \$266 primarily due to the Unemployment Compensation Fund’s cash and investment decrease of \$719. This decrease continues to be directly related to the high rate of unemployment compensation claims and related benefit payments as a result of the ongoing COVID-19 pandemic. This

decrease was offset by increases realized by the State Lottery Fund and Tuition Payment Fund of \$112 and \$228, respectively, primarily attributable to the Lottery experiencing record sales and the Tuition Payment Fund experiencing a 10% increase in portfolio return over last year due to positive market conditions.

Capital assets net increase:

- The \$1,735 increase in Governmental Activities capital assets was primarily due to the Commonwealth’s implementation of GASB Statement No. 87, Leases (GASB 87), which now considers leases as financing arrangements and requires the recognition of an intangible right-to-use lease asset. Additionally, the Motor License Fund’s capital assets, net of depreciation increased \$669 over prior year as a result of receiving additional funding from the Federal Highway Administration.

- The \$303 increase in Business-Type activities capital assets is also due to the Commonwealth's implementation of GASB 87, which resulted in an increase in the State Stores capital assets, net of depreciation of \$273.

All other assets net decrease:

- Governmental Activities decreased \$202 overall. Taxes receivable experienced a \$1,183 decrease due to the fact that prior year tax due dates were extended as a result of the COVID-19 pandemic's impact on taxpayers. The decrease was offset by a \$929 increase in due from Federal Government. The Motor License Fund and the Community HealthChoices program experienced increases of \$547 and \$283 respectively, for unbilled expenditures as a result of additional federal funding to support highway infrastructure and medical assistance through the Coronavirus Response and Relief Supplemental Appropriations Act. Additionally, there was a \$124 increase in the liquid fuels taxes receivable, as travel began to return to normal as travel restrictions from the COVID-19 pandemic were lifted.
- Business-Type Activities decreased \$3,569 directly related to the \$3,820 decrease in the Unemployment Compensation Fund's receivable from the Federal Government, resulting from the Department of Labor and Industry (L&I) enhanced operations to meet the increased volume of claims.

Deferred outflows of resources net increase:

The total increase of \$3,567 is caused by the portion of pension and other postemployment benefit (OPEB) plan losses that are related to and expensed in future years (see the other long-term liability increase). Pennsylvania State Employees' Retirement System (SERS) pension plan, the Retired Employees Health program (REHP) OPEB plan, and the Retired Pennsylvania State Police Program (RPSPP) OPEB plans all experienced losses due to required reductions in the discount rate used to determine the liability.

- Governmental Activities increased \$3,449.
- Business-Type Activities increased \$118.

Accounts Payable net decrease:

- Governmental Activities increased \$697 due primarily to the \$989 increase in the General Fund related to the Commonwealth's medical assistance program, as well as a \$114 increase in investment purchase payables. These increases were offset by the \$402 decrease to DCED program payables funded largely through monies received from the Coronavirus Relief Fund.
- Business-Type Activities decreased \$3,896 due to a significant reduction in the number of outstanding unemployment claims. The COVID-19 pandemic caused a substantial number of unemployment

benefits that remained outstanding at the end of the prior fiscal year.

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

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

- Governmental Activities increase of \$4,391 is largely attributable to an increase of \$4,927 in unearned revenue due to the receipt of the ARPA State Fiscal Recovery funds. The entirety of the State Fiscal Recovery funds received of \$7,291 were recorded as unearned for the fiscal year ended June 30, 2021. The federal act continues to provide economic relief to state and local governments as a result of the COVID-19 pandemic. The increase was offset by a \$483 decrease in the OPEB liability related to the REHP. Trusted funds within the plan were appropriate to cover the expense for the upcoming fiscal year. Further information is provided in the individual fund analysis in Section D.
- Business-Type Activities increase of \$1,564 can be directly attributed to a loan from the Federal Government's Unemployment Trust Fund in order to cover the increased cost of the regular unemployment compensation benefits.

Bonds payable, noncurrent net increase:

- Governmental Activities noncurrent bonds payable increased \$147 as a result of two new General Obligation (GO) bond issuances and bond refunding. The new bonds were offset with normal debt service activity during the fiscal year.
- Business-Type Activities increased \$209 as a result of two new revenue bond issuances by the Commonwealth Financing Authority.

All other long-term liabilities net increase: (Liabilities reported in this category are due in periods beyond twelve months from the close of the fiscal year and will be repaid with future resources. Reported items include compensated absences, self-insurance, net pension liabilities, OPEB liabilities, and other long-term liabilities.) The total increase of \$5,191 is largely due to losses in the pension and OPEB plans. The OPEB liabilities increased by \$3,697 as a result of the lower discount rate from 3.5% to 2.2% for both REHP and RPSPP. The SERS net pension liability increased \$296 driven by reductions to the investment rate of return and the interrelated discount rate of 7.0% from 7.125%. SERS experienced reductions in inflation and salary growth assumptions, and increased annuitant mortality assumptions related to a new 5-year actuarial study released in July 2020. (See notes 9 & 10 for more information.) Additionally, with the implementation of GASB 87, leases are now considered financing

arrangements and recognize an intangible right-to-use asset and corresponding long-term liability. As a result, lease liabilities were increased by \$1,041. (see Note 6 for more information).

- Total Governmental Activities increased \$4,956 resulting from the OPEB increase of \$3,570, pension increase of \$298, and increase in lease liabilities of \$811.
- Total Business-Type Activities increased \$235 resulting from the OPEB decrease of \$127, pension decrease of \$2 and increase in lease liabilities of \$230.

Deferred inflows of resources net decrease:

The total decrease of \$1,366 is primarily due to the to the amortization of REHP and RPSPP's OPEB plan gains experienced in previous years. Past years experience gains related to lower than expected claims costs. This was partial offset by a SERS gain related to actual investments returns exceeding expectations.

- Governmental Activities deferred inflows of resources decreased \$1,415.
- Business-Type Activities deferred inflows of resources increased \$49.

Net position: An overall deficit is reported for both the Governmental Activities and Business-Type Activities. The Primary Government's net position increased \$7,613 over the prior year. The overall increase to the Primary Government's net position is directly related to the increase in revenues, most notably tax revenues as COVID-19 pandemic restrictions were relaxed. Additionally, even though the pension and OPEB liabilities increased, the net effect of the amortization of related deferred outflow and inflow of resources was a \$1,431 net gain to the bottom line.

The decrease in net position related to Business-Type Activities can be attributed to the unusually high volume of unemployment claims and benefits paid from Unemployment Compensation Fund.

Statement of Activities for the Fiscal Years Ended June 30, 2021 and 2020

(Amounts in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues						
Charges for sales and services	\$ 8,367	\$ 7,876	\$ 10,352	\$ 9,680	\$ 18,719	\$ 17,556
Operating grants and contributions	42,952	35,860	22,200	17,195	65,152	53,055
Capital grants and contributions	96	31	6	14	102	45
Total program revenues	51,415	43,767	32,558	26,889	83,973	70,656
General revenues: taxes and investment income	43,951	38,681	—	—	43,951	38,681
Total revenues	95,366	82,448	32,558	26,889	127,924	109,337
Expenses:						
Governmental Activities						
Direction and supportive services	1,768	1,782	—	—	1,768	1,782
Protection of persons and property	7,069	6,288	—	—	7,069	6,288
Public education	18,076	17,501	—	—	18,076	17,501
Health and human services	51,308	47,282	—	—	51,308	47,282
Economic development	1,224	2,102	—	—	1,224	2,102
Transportation	6,118	6,234	—	—	6,118	6,234
Recreation and cultural enrichment	581	614	—	—	581	614
Interest	325	327	—	—	325	327
Business-Type Activities						
State lottery	—	—	5,115	4,315	5,115	4,315
State workers' insurance	—	—	35	103	35	103
Tuition payment	—	—	249	289	249	289
Unemployment compensation	—	—	25,957	21,727	25,957	21,727
Commonwealth financing	—	—	341	383	341	383
Liquor control	—	—	2,074	1,870	2,074	1,870
Economic development and other	—	—	74	54	74	54
Total expenses	86,469	82,130	33,845	28,741	120,314	110,871
Excess before transfers	8,897	318	(1,287)	(1,852)	7,610	(1,534)
Transfers	289	(487)	(289)	487	—	—
Increase (decrease) in net position	9,186	(169)	(1,576)	(1,365)	7,610	(1,534)
Net position-beginning *	(6,626)	(6,001)	(1,051)	314	(7,677)	(5,687)
Restatement	2	(456)	1	—	3	(456)
Net position-ending	\$ 2,562	\$ (6,626)	\$ (2,626)	\$ (1,051)	\$ (64)	\$ (7,677)

*The prior year has not been restated for the retroactive effects of implementing GASB Statement No. 87.

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

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

- Governmental Activities increased \$491. Human services experienced a \$242 increase in assessments on managed care organizations due to augmented caseload resulting from more lenient eligibility requirements stemming from the COVID-19 pandemic. In addition, the Community HealthChoices program was operational for the entire year, as the final phase of implementation was completed in January 2020. There was an increase of \$73 in the Motor License Fund, as travel restrictions that were put in place last year during the COVID-19 pandemic were lifted, resulting in an increase in gas purchases and liquid fuels tax collections. Additionally, the Public Transportation Fund revenues increased by \$49, as licensing centers and retailers, once closed as a result of the COVID-19 pandemic, re-opened.
- Charges for sales and services include, among many things, lottery sales, wine & spirit sales, and unemployment compensation revenues. The increase of \$672 is directly related to the \$895 increase in state lottery sales. The lifting of COVID-19 restrictions led to record lottery sales. State Stores revenues also increase by \$266 as retail stores re-opened and the capacity limits placed on bars and restaurants as a result of the COVID-19 pandemic were lifted. The increase was offset by the Unemployment Compensation Fund's decrease of \$488 as result of the COVID-19 pandemic and federal unemployment benefits subsidizing employer contributions.

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

Operating grants and contributions net increase:

- Governmental Activities increased \$7,092, due to federal funding from the Coronavirus Relief Fund. An increase of federal funding was received for the Community HealthChoices (CHC) Program, which became fully integrated and operational statewide in January 2020, enables persons eligible for both Medicaid and Medicare to receive medical benefits as well as support services to foster independent living and prevent unnecessary nursing home placements. The Supplemental Nutrition Assistance Program (SNAP), which provides nutrition benefits to supplement the food budget of needy families, saw a significant increase in funding over the prior year. Additionally, the Department of Corrections, Education, and Transportation experienced increases in federal funding of \$1,258, \$677, and \$607, respectively, as result of the COVID-19 pandemic.
- Business-Type Activities increased \$5,005. The increase is the direct result of a \$4,545 increase related to the federal expansion and funding of unemployment benefits as part of the CARES Act of 2020. \$1,889 of the increase pertains to The Lost

Wages Assistance Program, which authorized the use of the Robert T Stafford Disaster Relief and Emergency Assistance Act to provided claimants with an extra \$300 per week from August to September.

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

Taxes and investment income net increase of \$5,270 in Governmental Activities is primarily due to increases in personal income taxes of \$1,726, sales and use taxes of \$1,782, corporation taxes of \$657, gaming taxes of \$476, and inheritance taxes of \$221. Many of these increases are the direct result of federal stimulus money that taxpayers received as result of the COVID-19 pandemic to stimulate the economy. The increase in personal income taxes is the result of taxpayers returning to workforce coupled with the deferral of prior year employer payroll taxes. Sales and use tax collections increased as a result of augmented eCommerce spending and significant increase in motor vehicle sales.

Expenses: Governmental Activities

Public education increased \$575 as a result of the significant increases in federal funding received from the CARES Act of 2020. COVID related expenses related to the Elementary and Secondary School Emergency Funds (ESSER and ESSER II) increased \$459 from the prior year.

Health and human services expenses increased \$4,026 primarily due to Community HealthChoices program being fully operational for the entire fiscal year as the statewide rollout of the program was completed in Jan 2020. The Medical Assistance program also grew at a faster pace than anticipated due to more lenient eligibility requirements resulting from the COVID-19 pandemic. The Department of Human Services increased federal funding for COVID-19 from the CARES Act correlated to increased expenditures by approximately \$1,513.

Economic development expenses decreased \$878 mostly due to the COVID-19 relief fund monies being expended in the prior year. Expenditures reported in the General Fund, that were used to support the County Relief Block Grant, which provides assistance to counties for response, planning and outreach efforts decreased by approximately \$625. In addition, \$225 of COVID-19 monies were expended in the prior year through the Pennsylvania Statewide Small Business Assistance Program.

Expenses: Business-Type Activities

State Lottery program expenses increased \$800. Lottery expenses and specifically prize payouts have a strong correlation to lottery sales and the lottery experienced record lottery sales in the current year. The most

significant increases in payouts were seen among game field prizes and online games field prizes.

Unemployment Compensation program expenses increased \$4,230 as the volume of unemployment claims remained higher than normal as taxpayers continue to cope with the COVID-19 pandemic. The Lost Wages and Assistance Program also ran during the current fiscal year. Refer to the Unemployment Compensation Fund analysis in Section D for additional detail.

Transfers between the Governmental Activities and Business-Type Activities increased \$776 primarily due to the CFA's transfer of the PlanCon bond proceeds to the General Fund. Also, no transfer occurred this fiscal year from Gaming to the Lottery Fund for the Property Tax Rent Rebate program.

Restatement

Effective July 1, 2020 the Commonwealth implemented GASB Statement No. 87, Leases. The implementation of the standard requires all leases to be reported as financing arrangements of the right to use a 3rd party's asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Please refer to Note 18 - Restatements for further information.

Section D: Individual Funds Analysis

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

	2021	2020
Assets:		
Cash and investments	\$ 15,484	\$ 4,175
Receivables, net	5,846	7,104
Due from other funds/governments/advances/other	6,882	6,370
Total assets	\$ 28,212	\$ 17,649
Liabilities:		
Accounts payable and tax refunds payable	\$ 11,185	\$ 10,618
Due to other funds/governments/advances/other	3,138	2,992
Unearned revenue	7,325	2,383
Total liabilities	21,648	15,993
Total deferred inflows of resources	3,491	3,181
Fund Balance:		
Total fund balance	3,073	(1,525)
Total liabilities, deferred inflows of resources and fund balance	\$ 28,212	\$ 17,649

Cash and investments increased \$11,309. The majority of the increase pertained to the receipt of \$7,291 in State Fiscal Recovery funding in May 2021 under the American Rescue Plan Act of 2021 (ARPA); the entire amount of the funding was recorded as unearned at year-end. Additionally, revenues exceeded expenditures by \$5,300, largely due to an increase in tax receipts. Tax receipts were negatively impacted by the COVID-19 pandemic in the prior year.

Receivables, net decreased \$1,258 primarily due to decreases in personal income, corporation, and sales and use tax receivables of \$962, \$250, and \$101, respectively. In the prior year, tax return due dates were extended past year-end due to the COVID-19 pandemic. Loans receivable decreased by \$198 primarily because of the repayment of short-term Hospital Emergency Loans, administered by the Department of Community and Economic Development (DCED) and issued to hospitals in advance of federal CARES Act funding availability. The decreases were offset by a \$248 increase in accounts receivable, which mainly pertained to a \$279 increase in Medicaid drug rebates receivable for the Department of Human Services (DHS). Enrollment in medical assistance increased at a higher rate than in the previous year, which contributed to the higher amount of drug rebates receivable.

Due from other funds/governments/advances/other increased \$512, from a \$519 increase in due from Federal Government. The increase is mainly attributable to increased receivables for the DHS, the Pennsylvania Emergency Management Agency (PEMA), and the Pennsylvania Department of Education (PDE). A \$283 increase in receivables for the DHS was mostly related to

medical assistance, as the Community HealthChoices (CHC) program was fully operational for the entire year, in conjunction with an increase in the number of residents receiving medical assistance benefits. PEMA experienced a \$98 increase in federal receivables as the COVID-19 Emergency Declaration authorized a temporary change to the federal reimbursement rate of eligible costs for disaster grants from 75% to 100%. PDE's increase of \$96, was mainly related to food and nutrition services claims as schools reopened during the COVID-19 pandemic.

Accounts payable and tax refunds payable increased by \$567. The increase is applicable to a \$989 increase in accounts payable related to medical assistance growth. Additionally, there was a \$253 increase in relief payables to local governments for Local Fiscal Recovery under the ARPA. This was offset by a \$665 reduction in DCED program payables funded through Coronavirus Relief Fund monies for the County Relief Block Grant, statewide small business assistance, and cultural and museum preservation. Tax extensions were the main factor that led to the \$44 decrease in tax refunds payable.

Due to other funds/governments/advances/other increased \$146 overall. The increase was comprised primarily of the following: \$350 owed to the Worker's Compensation Security Fund related to Act 1 of 2021 and Act 114 of 2020, which was offset by the repayment of the \$114 in advances from the Underground Storage Tank Indemnification Fund (USTIF) and other special funds. Other liabilities also increased \$71, driven by delays in escheat claims processing caused by the COVID-19 pandemic. Offsetting this was a decrease in due to component units of \$189 as DCED repaid a loan from the PA Infrastructure Investment Authority (PENNVEST) that

had been used to establish the Hospital Emergency Loan Program.

Unearned revenue increased \$4,942. In May 2021, the Commonwealth received \$7,291 of federal Coronavirus State Fiscal Recovery Fund monies, which were provided under the ARPA. The entire \$7,291 will be used to provide pandemic relief during the upcoming fiscal years. The remainder of the change primarily pertains to the utilization of Coronavirus Relief Fund monies that were not spent in the previous year.

Deferred inflows of resources increased \$310 due to increases in unavailable revenue. Revenue earned but not anticipated to be collected until more than 60 days after the end of the fiscal year is considered not available for governmental activities. Net unavailable tax revenue increased \$237, comprised of \$105, \$62, \$51, and \$19 increases in the personal income, inheritance, corporation, and sales and use tax categories, respectively.

General Fund Revenues, Expenditures and Changes in Fund Balance

Condensed, comparative, financial information (amounts in millions)

The General Fund, the Commonwealth's largest fund, accounts for approximately 84% of the total governmental fund type revenues and other financing sources and 84% of the total governmental fund type expenditures and other financing uses. The General Fund collects approximately 85% of the total tax revenues and is the primary funding source for most Commonwealth expenditures.

	2021	2020
Revenues:		
Taxes, net of refunds		
Personal income	\$ 14,874	\$ 13,241
Sales and use	12,793	11,177
Corporation	5,683	4,967
Inheritance	1,230	1,034
Cigarette	1,242	1,198
Realty transfer	627	494
Gaming	241	143
Other	491	433
Total taxes, net of refunds	37,181	32,687
Intergovernmental	39,636	33,326
Charges for sales and services	3,958	3,704
Licenses/fees/investment/other income	1,050	1,001
Total revenues	81,825	70,718
Expenditures:		
Direction and supportive services	1,297	1,268
Protection of persons and property	5,365	4,647
Health and human services	51,172	47,128
Public education	17,399	16,824
Recreation and cultural enrichment	341	342
Economic development	562	1,401
Transportation	86	58
Capital outlay	235	106
Other expenditures	68	65
Total expenditures	76,525	71,839
Revenues over/(under) expenditures	5,300	(1,121)
Other financing sources (uses):		
Transfers in	962	507
Transfers out	(1,861)	(1,750)
Leases and installment purchases	114	3
Other financing obligations	83	—
Net other financing uses	(702)	(1,240)
Net change in fund balance	\$ 4,598	\$ (2,361)

Total taxes, net of refunds increased \$4,494, comprised mostly of \$1,633, \$1,616, and \$716 increases in the personal income, sales and use, and corporation tax categories, respectively. Tax filing and payment extensions granted to taxpayers in the previous year due to the COVID-19 pandemic caused significant portions of the prior year earned taxes to not be available as revenue until this year. Other factors included the impact of federal stimulus provided to individuals and businesses in response to the COVID-19 pandemic, the impact of certain federal tax provisions enacted in response to the pandemic that increased corporations' taxable profits, corporations' response to an anticipated increase in the federal corporate tax rate, and strong e-commerce collections.

Intergovernmental revenues increased \$6,310 predominantly due to a \$4,299 increase in federal revenue

collected by the Department of Human Services (DHS). \$1,700 of the increase was a result of the Community HealthChoices (CHC) program, the Commonwealth's community-based long-term care program, being operational statewide for an entire year. Additionally, due to the COVID-19 pandemic, DHS received Supplemental Nutrition Assistance Program (SNAP) emergency allotment waivers that contributed to a nearly \$2,000 increase in federal revenues. The Department of Corrections, the Department of Education, and the Pennsylvania State Police received increased funding of \$1,258, \$677, and \$226 respectively, from the Coronavirus Relief Fund.

Charges for sales and services increased \$254 mainly due to the enactment of Act 92 of 2015 that amended the Public Welfare Code. Act 92 established monthly, per member assessments on Medicaid managed care organizations. The per member assessment increased

from \$19.87 effective July 1, 2018 to \$24.95 effective January 1, 2020. This increase, coupled with a rise in the number of members, as a result of more lenient eligibility requirements due to the COVID-19 pandemic, drove the increase in revenue.

Licenses/fees/investment/other income increased \$49. During the fiscal year, a category 4 gaming license auction resulted in a winning bid of \$10 to establish a new mini-casino within the Commonwealth. The Department of State received \$17 from non-federal grants that were issued to support the Commonwealth's efforts to provide accurate voting information to the public. The Department of Drug and Alcohol Programs received \$21 from the Commonwealth's share of a legal settlement entered into by multiple state Attorneys General and McKinsey & Company, a consulting company who was sued for their role in helping pharmaceutical companies promote opioids. These increases were offset by a \$22 decrease in investment income.

Health and human services accounts for approximately 67% of total general fund expenditures for the year. The increase of \$4,044 was directly related to an increase in COVID related funding; coupled with an 11% growth in enrollment in the Medical Assistance program. The CHC program was fully implemented statewide in January of 2020 resulting in an increase in expenses. This program allows eligible Medicaid and Medicare dual recipients, or those with long-term support provided by Medicaid, to select a healthcare coordinator to manage the continuity of services of their varied healthcare needs. The increase in expenditures can also be attributed to rising capitation rates, which determine the amount of money per patient paid to Managed Care Organizations to cover health care services.

Public education accounts for approximately 23% of total general fund expenditures. The increase of \$575 directly relates to the \$654 increase in COVID related expenditures incurred as a result of the increase in federal funding

received from the CARES Act of 2020 and American Rescue Plan Act of 2021. Of that, \$459 was associated with costs related to the Elementary and Secondary School Emergency Relief program along with \$147 related to the Food and Nutrition program, which ensure all kids receive healthy meals. The increase was offset by a \$155 decrease in transportation cost, as the number of students requiring transportation decreased due to more students attending school virtually during the pandemic.

Protection of persons and property expenditures increased \$718 as COVID-19 relief fund monies were utilized by the Pennsylvania Emergency Management Agency and the Pennsylvania State Police to open additional vaccination centers, and provide emergency assistance, as a result of the pandemic. Additionally, the School Safety Grant, which was established in 2018 and provides safer places for students, experienced a \$149 increase in expenditures.

Economic development decreased \$839 largely due to a reduction in COVID-19 relief fund monies that were expended in the prior year to support the County Relief Block Grant, which provides assistance to counties for response, planning, and outreach efforts.

Transfers in increased \$455 due to the transfer of \$341 in PlanCon bond proceeds by the Commonwealth Financing Authority (CFA) from its issuance of Series 2021 A of Revenue Bonds. CFA did not transfer any PlanCon bonds in the prior year. In accordance with Act 114 of 2020, transfers from several special funds also contributed to the increase.

Transfers out increased \$111 primarily due to a \$200 transfer that was made to the Gaming Fund for property tax relief. This was offset by a decrease in transfers required to meet the current fiscal year's debt service requirements.

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

Description	2021	2020
Cash and investments	\$ 1,023	\$ 973
Other assets	1,112	560
Total assets	\$ 2,135	\$ 1,533
Accounts payable	\$ 598	\$ 666
Other liabilities	230	272
Total liabilities	828	938
Total fund balance	1,307	595
Total liabilities and fund balance	\$ 2,135	\$ 1,533
Tax revenues	\$ 3,562	\$ 3,383
Licenses and fees	1,114	1,076
Intergovernmental	2,351	1,732
Other revenues	105	73
Total revenues	7,132	6,264
Direction and supportive services	35	37
Protection of persons and property	964	991
Transportation	2,653	2,797
Capital outlay	2,651	2,623
Other expenditures	7	5
Total expenditures	6,310	6,453
Net other financing uses	(110)	(88)
Net change in fund balance	\$ 712	\$ (277)

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

Cash and investments increased \$50 and is largely attributable to an increase in Temporary Investments due to positive market conditions and more cash being available to be invested as revenues increased.

Other assets increased \$552 as there was a \$405 increase in due from the Federal Government's Federal Highway Administration for highway projects and construction activity. Other assets also increased due to a \$124 increase in the Liquid Fuels Tax receivables which is a direct result of increased travel due to the easing of COVID-19 pandemic stay-at-home orders.

Accounts payable decreased \$68 due to the timing of vendor invoices and construction payments near fiscal year-end as compared to the prior fiscal year where available cash flow was impacted due to the COVID-19 pandemic.

Tax revenues increased \$179 primarily due to the increase in the liquid fuels tax, a \$0.12 per gallon sales tax on the

purchase of gasoline and diesel. This is a direct result of increased travel, thus more fuel being purchased, following the COVID-19 pandemic, when only essential travel was permitted in accordance with the stay-at-home orders.

Licenses and fees increased \$38 due to increases in vehicle registrations and driver licenses. During the prior fiscal year, extensions were granted for the expirations of vehicle registrations, drivers license, and learner's permits, including commercial driver's licenses. These extensions expired during the fiscal year ending June 30, 2021, resulting in increases to the fees collected for these items.

Intergovernmental increased \$619 due to an increase in funds from the Federal Highway Administration. Pennsylvania was apportioned \$407 in Highway Infrastructure Programs funds as part of the Coronavirus Response and Relief Supplemental Appropriations Act, 2021. Additionally, there was a \$200 increase in highway projects and construction activity billed to the Federal Highway Administration.

Transportation expenditures decreased by \$144 attributable to a reduction in program costs, specifically in personnel and operational costs, that needed to be implemented since revenue saw a sharp decline early in the pandemic which carried over into FY 20.

Unemployment Compensation Fund		
Condensed, comparative, financial information (amounts in millions)		
Description	2021	2020
Cash and investments	\$ 1,113	\$ 1,832
Unemployment assessments receivable	591	662
Other assets	1,267	5,087
Total assets	2,971	7,581
Total deferred outflows of resources	27	35
Accounts payable	1,329	5,579
Other liabilities	1,687	29
Total liabilities	3,016	5,608
Total deferred inflows of resources	34	39
Total net position	\$ (52)	\$ 1,969
Total operating revenues: Sales and services	\$ 2,196	\$ 2,675
Total operating expenses: Cost of sales and services	25,956	21,724
Operating income (loss)	(23,760)	(19,049)
Nonoperating income	21,741	16,929
Income (loss) before transfers	(2,019)	(2,120)
Transfers out	(2)	(6)
Decrease in net position	\$ (2,021)	\$ (2,126)

Fund Description: The Unemployment Compensation (UC) Fund collects employer assessments for unemployment compensation and transfers the assessments to the Federal Government for deposit in the UC Trust Fund (UTF). These funds are drawn down to pay unemployment compensation payments to claimants as needed. The fund for the Lost Wages Assistance Program was added to the UC Fund for fiscal year ending June 30, 2021.

Cash and investments decreased \$719 primarily due to the decrease in the balance of the Unemployment Insurance Trust (UIT) account. The decline in the UIT account is due to the increase in unemployment compensation payments as a result of the COVID-19 pandemic.

Other assets decreased \$3,820 primarily due to the decrease due from the federal government in the amount of \$3,919. The majority of the benefits payable as of June 30, 2021 are federal UC programs that are payable by the Federal Government. The benefits payable in the prior year reflected the unexpected surge in claims due to mandated business closures and the newly available federal UC programs to mitigate the pandemic's impact. The current year decreased as a result of the Pennsylvania Department of Labor and Industry's (L&I) ability to enhance operations to meet the increased volume of unemployment claims this year.

Accounts payable decreased by \$4,250 as a result of the unemployment benefits that were payable at the end of the fiscal year. In the prior fiscal year, the COVID-19 pandemic caused an excess number of unemployment benefits needing to be paid. Because the number of

unemployment claims remain higher than normal due to the pandemic, L&I increased staff and developed new systems and tools to be equipped to serve the public's increased need for unemployment benefits.

Other liabilities increased \$1,658 as a result of borrowings on the Federal Unemployment Account (FUA) loan in the UTF in order to assist with meeting the rise in demand of state unemployment programs.

Cost of sales and services increased \$4,232 due to the increase in unemployment compensation benefits that were paid during the fiscal year. This includes the Lost Wages Assistance Program which ran from August 1, 2020 to September 5, 2020.

Nonoperating income increased by \$4,812 as a result of federal unemployment benefits that were paid during the fiscal year which included: Lost Wage Assistance Program (LWA), Federal Pandemic Unemployment Compensation (FPUC), Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC), Waiver Week, and Extended Benefits. The FUA Reimbursement was also enacted which provided qualified nonprofit employers reimbursement of 50%-100% of their payments to the UTF.

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

Description	2020	2019
Cash and short-term investments	\$ 66	\$ 73
Long-term investments	1,419	1,363
Other assets	50	44
Total assets	1,535	1,480
Total deferred outflows of resources	11	5
Securities lending obligations	14	17
Unearned revenue	35	40
Insurance loss liability	1,208	1,336
Other liabilities	116	97
Total liabilities	1,373	1,490
Total deferred inflows of resources	33	40
Total net position	\$ 140	\$ (45)
Total operating revenues: Sales and services	\$ 92	\$ 116
Total operating expenses: Cost of sales and services	34	101
Operating income	58	15
Investment income	128	149
Investment expense	(1)	(2)
Net nonoperating revenue	127	147
Increase in net position	\$ 185	\$ 162

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

Long-term investments increased \$56 related to strong market growth in fiscal year 2020.

Insurance loss liability decreased \$128 due to the favorable developments of reserves created by the previous years' Compromise and Release (C&R) agreement program reduction to future liabilities. C&R agreements allow a claimant to opt to receive a lump sum payment as settlement of the claim benefits. The number of open claims decreased by 1,856 for the fiscal year ending December 31, 2020.

Sales and services decreased \$24 due to decreases in premium rates and policy counts, and an increase in amounts accrued for write-offs. During COVID, SWIF issued a moratorium on policy cancellations, collection efforts, and write-offs effective from March 2020 until January 2021.

Cost of sales and services decreased \$67 due primarily to favorable developments of reserves, along with decreases in losses paid due to the previous years' compromise and release (C&R) activity.

Investment income decreased \$21 largely due to decreases in unrealized and realized capital gains. A transition of assets to Treasury in the prior year, coupled with favorable market conditions, resulted in unusually high realized gains.

State Lottery Fund		
Condensed, comparative, financial information (amounts in millions)		
Description	2021	2020
Cash and short-term investments	\$ 447	\$ 335
Other assets	98	86
Total assets	545	421
Total deferred outflows of resources	26	12
Accounts payable	319	198
Other liabilities	230	312
Total liabilities	549	510
Total deferred inflows of resources	46	53
Total net position	\$ (24)	\$ (130)
Total operating revenues: Sales and services	\$ 5,456	\$ 4,561
Cost of sales and services	5,106	4,309
Other expenses	9	7
Total operating expenses	5,115	4,316
Operating income	341	245
Nonoperating revenues, net	—	3
Income before transfers	341	248
Transfers in	1	266
Transfers out	(236)	(236)
Transfers, net	(235)	30
Increase in net position	\$ 106	\$ 278

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

Accounts payable increased \$121, primarily due to a change in timing related to the Property Tax and Rent Rebate (PTRR) payments, which are subsidies available to low income seniors and the residents with disabilities to provide housing expense relief. During the year ended June 30, 2020, the Commonwealth authorized Act 20 of 2020, which approved an extension of applications to December 31, 2020 and also allowed payments to be made as eligible applicants were approved in order to mitigate the economic impact of the COVID-19 pandemic. For the year ended June 30, 2021, the PTRR process returned to the previous requirement that applications approved prior to the end of the fiscal year were not authorized for payment until July 1st, which resulted in a \$122 accrual.

Total operating revenues: Sales and Services increased \$895. The increase is largely attributed to the easing of COVID-19 pandemic restrictions which resulted in record lottery sales. This fiscal year saw an increase in credit/debit sales, as well as iLottery activity.

Total operating expenses increased \$799 primarily due to the \$797 increase in cost of sales and services. Cost of sales and services increased by 18.5% which largely correlates to the increase in operating revenues. The overall expense increase is driven by prizes at the end of the fiscal year for Instant Games Field and Online Games Field. In addition, the timing changes for PTRR payments increased year-end expenses.

Transfers in decreased \$265 primarily due to no transfers in related to the PTRR activity this year. In fiscal year 2019-2020, the Commonwealth authorized Act 20 of 2020, which allowed payments to be made as eligible applicants were approved in order to mitigate the economic impact of the COVID-19 pandemic. To fulfill the Act 20 requirements, a second PTRR transfer was authorized for the fiscal year ending June 30, 2020, rather than waiting for the new fiscal year.

Tuition Payment Fund		
Condensed, comparative, financial information (amounts in millions)		
Description	2021	2020
Cash and short-term investments	\$ 119	\$ 204
Long-term investments	2,337	2,073
Other assets	157	5
Total assets	2,613	2,282
Securities lending obligations	43	152
Tuition benefits payable	1,664	1,661
Other liabilities	168	5
Total liabilities	1,875	1,818
Total net position	\$ 738	\$ 464
Total operating revenues: Sales and services	\$ 210	\$ 205
Total operating expenses: Cost of sales and services	247	289
Operating loss	(37)	(84)
Nonoperating revenues, net	311	83
Increase (decrease) in net position	\$ 274	\$ (1)

Fund Description: The Tuition Payment Fund is administered by the Tuition Account Guaranteed Savings Program Bureau, an office within the Commonwealth Treasury Department. The Fund provides Commonwealth residents the opportunity to prepay college tuition towards future education expenses at eligible educational institutions. An eligible educational institution is defined by the Internal Revenue Code. Commonwealth-owned and related universities and community colleges participate in the program. At June 30, 2021, 34 such institutions were participating. In addition, private institutions, which are defined as any private or out-of-state public post-secondary educational institution, are considered eligible for the program.

Total assets increased \$331 primarily due to an increase in investments held compared to the prior year. The portfolio's return (net of fees) was 14.4% as of June 30, 2021 compared to 3.85% as of June 30, 2020.

Total liabilities increased \$57, which is attributable to the fluctuation for investment purchases pending at year-end. Tuition benefits payable, an actuarially determined liability of the future tuition obligations, remained consistent with the prior year at \$1,664, in part due to decreases to tuition inflation assumptions offsetting lower utilization.

Total operating expense: Cost of sales and services decreased \$42 primarily due to decreases in tuition benefit expense. The program usage resulted in 15,499 beneficiaries using 481,876 credits during the fiscal year ended June 30, 2021, compared to 16,751 beneficiaries using 540,072 credits during the fiscal year ended June 30, 2020.

Nonoperating revenues, net increased \$228 largely due to favorable market conditions.

Net position increased \$274 over the prior year. At \$738, the plan is currently 143.46% funded.

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

Description	2021	2020
Cash and investments	\$ 346	\$ 229
Inventory	217	227
Other assets	310	39
Total assets	873	495
Total deferred outflows of resources	234	134
Accounts payable	359	283
Pension and OPEB liabilities	1,077	963
Other liabilities	411	132
Total liabilities	1,847	1,378
Total deferred inflows of resources	389	459
Total net position	\$ (1,129)	\$ (1,208)
Total operating revenues: Sales and services	\$ 2,343	\$ 2,078
Cost of sales and services	2,001	1,862
Other expenses	66	8
Total operating expenses	2,067	1,870
Operating income	276	208
Nonoperating revenues, net	(7)	5
Income before transfers	269	213
Transfers out	(190)	(189)
Increase in net position	\$ 79	\$ 24

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

Cash and investments increased \$117 primarily due to an increase in cash flow from operations resulting in greater funds available for cash deposits and short-term investment purchases.

Other assets increased \$271 mainly related to the early implementation of the Governmental Accounting Standards Board Statement No. 87 (GASB 87) which requires leases to be recorded as intangible right-to-use assets with a corresponding long-term liability for the lease term. The PLCB leases retail space throughout the Commonwealth for its Fine Wine & Good Spirits stores.

Total deferred outflows of resources increased \$100 primarily due to a \$53 increase in PLCB's allocated share of the Retired Employees Health Program (REHP), as well as a \$33 increase in PLCB's allocated share of the State

Employees' Retirement System (SERS). These represent deferred losses related to reductions to the discounts rate used in the actuarial liability valuations. See notes 9 and 10 for more information.

Accounts payable increased \$76 due to reduced liquor purchases in fiscal year 2020. This was a result of retail store closures that began on March 17, 2020 in response to the COVID-19 pandemic and store inventories had not yet been fully replenished.

Pension and OPEB liabilities increased \$114 due to a \$110 increase in the PLCB's share of the long-term REHP OPEB liability caused by a lower discount rate. The REHP is required to use a low-risk bond index as the basis of its discount rate, causing the liability to be subject to changes in the bond market. See note 10 for more information.

Other liabilities increased \$279 primarily due to the early implementation of GASB 87 in which lessees now recognize a long-term liability for the contracted lease term.

Total operating revenues: Sales and services increased \$265. Prior year retail store closures and limited sales to bars and restaurants due to COVID-19 occupancy limits hampered sales revenue from March through June 2020. Sales rebounded in fiscal year 2020-2021 when the stores and businesses fully reopened.

Cost of sales and services increased \$139 in direct correlation to the increase in sales this fiscal year and the costs associated with the merchandise sold.

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

Description	2021	2020
Current assets	\$ 982	\$ 1,007
Noncurrent assets	274	259
Total assets	1,256	1,266
Total deferred outflows of resources	1	2
Current liabilities	155	149
Noncurrent liabilities	4,507	4,296
Total liabilities	4,662	4,445
Total deferred inflows of resources	14	12
Total net position	\$ (3,419)	\$ (3,189)
Operating revenues, net of uncollectibles	\$ 8	\$ (13)
Operating expenses	160	130
Operating loss	(152)	(143)
Nonoperating expenses, net	(184)	(218)
Loss before transfers	(336)	(361)
Transfers, net	106	579
Increase (decrease) in net position	\$ (230)	\$ 218

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

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

Current assets decreased \$25 caused by a reduction in monies owed from other funds. The prior year included \$20 of the Commonwealth's Coronavirus Relief Funds to establish a COVID-19 Cultural and Museum Preservation Grant Program.

Noncurrent assets increased \$15 due to an increase in the long-term portion of loans receivable. CFA provides loans to venture capital partnerships for investments in Pennsylvania-related companies.

Total liabilities increased \$217 as a direct result of two new bond issuances: PlanCon Bond of \$343 and H2O bond of \$12. The PlanCon Bond was issued on behalf of the Department of Education for planned school construction

projects. The H2O Bond was issued to assist municipalities or municipal authorities with flood control projects, drinking water, sanitary sewer, storm sewer projects, and repair of unsafe dams. The current amount due for the long-term liabilities increased by \$6 due to the Authority paying more principal and less interest on bonds as outstanding bonds mature. At the end of 2021, the total outstanding debt for CFA stood at \$4,627.

Operating expenses increased \$30 primarily due to a \$25 increase in grants expenses, which is in line with the Authority's purpose.

Nonoperating expenses, net decreased \$34 overall due to decreases in bond interest expense and bond issuance costs.

Transfers, net includes \$447 in transfers from other funds, comprised of \$329 for debt services, \$54 in gaming and Act 13 flood mitigation monies, and \$64 to fund approved projects of the Multimodal Transportation Program. Transfers to other funds of \$341 were the result of the PlanCon Bond issuance and subsequent transfer of those proceeds to the General Fund for the Department of Education.

Section E: Budget Analysis Overview

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

The Budgetary Comparison Schedule for the General Fund for the fiscal year ended June 30, 2021 is presented immediately following the Notes to the Financial Statements section of the ACFR. In the final budget, state program revenues were adjusted to the revised revenue estimates anticipated to be received by the end of the fiscal year, and were anticipated to be insufficient to fund all 2020-2021 original and supplemental appropriation requests.

The difference in total state program revenues from the original to the final budget was due to an increase of \$582 in tax revenues, a decrease of \$46 in nontax revenues and a decrease of \$33 in refunds, resulting in a net increase of \$569.

Final federal revenues and corresponding expenditures were \$18,342 more than originally budgeted primarily due to funding received in response to the COVID-19 pandemic, which totaled \$17,132. Other increases include \$1,091 in the Department of Human Services, \$64 in the Pennsylvania Emergency Management Agency, \$20 in the Department of Community and Economic Development, \$18 in the Executive Offices, and \$17 combined in other agencies of the Commonwealth.

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

In the actual budgetary basis, state program revenues were adjusted to actual revenues received by the fiscal year-end. Final budgeted state program revenues sufficiently funded all 2020-2021 original state appropriations. Supplemental appropriations passed on June 30, 2021 by Act 1A resulted in a \$850 increase to state appropriations and a \$58 increase in federal appropriations, with supplemental appropriations effective as of the fiscal year ended June 30, 2021.

Actual total state revenues were \$2,902 more than the final budgeted state revenues due to increases in both tax \$2,858 and nontax \$44 revenues actually received. The \$12 increase in departmental services is mainly attributable to increased receipts in the Judiciary, Departments of Community and Economic Development, Drug and Alcohol Programs, the State Treasury and other agencies offset by decreases in the Departments of Human Services, Health, and other agencies resulting in the net increase of \$2,914 in state program revenues.

The difference of \$12 in actual state program expenditures under the final budget is the result of the increase available from departmental services.

Section F: Capital Asset and Long-term Debt Activity

Capital Asset Overview and Explanation

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

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

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

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

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

Note 4 in the notes to the financial statements section of the ACFR provides more information on capital asset activities during the fiscal year ended June 30, 2021.

Long-term Debt Overview – fiscal year ended June 30, 2021

(Amounts in millions)

The constitution of the Commonwealth of Pennsylvania permits the incurrence of debt, without approval of the electorate, for capital projects specifically authorized in a capital budget. Capital project debt outstanding cannot exceed one and three quarters (1.75) times the average of the annual tax revenues deposited in all funds during the previous five fiscal years. The Commonwealth's constitutional debt limit, which allows for the incurrence of debt to be used for capital projects without electorate approval as specifically itemized in a capital budget, was \$75.2 billion as of August 31, 2021 with net debt outstanding after credit for refunded debt of \$9.7 billion for a remaining legal debt margin of \$65.5 billion. In addition to constitutionally authorized capital project debt, the Commonwealth may incur debt for electorate-approved programs, such as economic revitalization, land and water development, water facilities restoration, and certain environmental initiatives; and for special purposes approved by the General Assembly, such as disaster relief.

At June 30, 2021, the Commonwealth had total General Obligation Bond principal outstanding of \$11.0 billion for the following purposes:

\$	6,358	Capital Facilities Bonds
	4,381	Refunding Bonds
	235	Electorate Approved Debt (various)

During the fiscal year ended June 30, 2021, debt service fund transfers were paid primarily from the General Fund, the Motor License Fund, and the Gaming Fund in the amounts of \$1,169, \$109, and \$18 respectively, to make principal and interest payments to bondholders.

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

Debt Administration – fiscal year ending June 30, 2022

(Amounts in millions)

During the fiscal year ending June 30, 2022, the Office of the Budget currently plans general obligation bond issuances, excluding refundings, amounting to \$1,000. This is in line with the amount issued in the fiscal year ended June 30, 2021, in which the Commonwealth issued \$1,020 in new money bonds and \$496 in refunding bonds. The current plan reflects the need to make continued investments in the Commonwealth's capital infrastructure, local capital projects and mass transportation infrastructure.

Debt principal retirements of \$872 are currently planned for the fiscal year ending June 30, 2022. The Commonwealth continues to evaluate refunding opportunities for its outstanding bonds to reduce interest costs.

In addition to general obligation bonds, the Commonwealth may issue tax anticipation notes to meet operating cash needs during certain months of the fiscal year. Tax anticipation notes may be issued only for the General Fund and the Motor License Fund. They may not

exceed 20% of the funds' estimated revenues for the fiscal year and must mature during the fiscal year in which they were issued. Cash shortages may occur during the fiscal year because tax receipts, unlike cash disbursements, are concentrated in the last four months of the fiscal year. The Commonwealth does not anticipate issuing a tax anticipation note for fiscal year ending 2022. In addition to issuing tax anticipation notes, the Commonwealth may obtain a short-term investment line of credit with the Pennsylvania Treasury Department. All amounts drawn using the lines of credit must be returned with interest in the same fiscal year in which the draw occurred.

There were no debt limitations, restrictions or commitments during the fiscal year ended June 30, 2021 that may affect the Commonwealth's plans during the fiscal year ending June 30, 2022. The Commonwealth's planned issuance for the fiscal year ending June 30, 2022 is dependent on the passage of an annual capital budget by the state legislature. No current fiscal year capital budget has been passed as of October 19, 2021.

Section G: Currently Known Facts

(Amounts in whole dollars)

COVID-19 Pandemic

On May 20, 2021, the Commonwealth's COVID-19 related Proclamation of Disaster Emergency, which was first issued on March 6, 2020 and last amended on February 19, 2021, expired. The impacts of the pandemic are anticipated to persist into 2022 and the Commonwealth continues to monitor and assess the effects of the COVID-19 pandemic on the Commonwealth's operations and financial position.

The American Rescue Plan Act of 2021 (ARPA) provided state and local governments with additional pandemic relief in the form of State and Local Fiscal Recovery Funds (SLFRF), which allows governments' broad discretion in mitigating the pandemic impacts including the government's own revenue losses. The Commonwealth received \$7.3 billion in SLFRF funds in May 2021, none of which had been disbursed at fiscal year-end. Act 1A of 2021 appropriated \$4.6 billion of the SLFRF for fiscal year 2021-2022, with the remainder of the funds to be appropriated in future years. The funds are anticipated to be fully utilized by the December 31, 2024 federal deadline.

Additionally, the ARPA extended most of the expiring benefits provided through the Pandemic Unemployment Assistance (PUA), Federal Pandemic Unemployment Compensation (FPUC), and Pandemic Emergency Unemployment Compensation (PEUC) programs through September 6, 2021. Revisions to PUA included increasing the total weeks available from 50 to 79, the FPUC programs saw the extra benefits stay at \$300/week, and PEUC added additional weeks of benefits to those who had exhausted other weeks of benefits.

To further mitigate the spread of the Novel Coronavirus, the Commonwealth administration announced a vaccine incentive for state employees under the governor's jurisdiction. Effective October 1, 2021, vaccinated state employees were eligible to receive an additional 1 day of paid leave. In addition, on November 1, 2021 the administration increased the incentive to eligible state employees for being vaccinated, offering them an additional 5 days of paid leave, which can be utilized from December 20, 2021 to March 31, 2022. Employees who choose not to use the additional 5 days within the time requirements are eligible to receive a pay out for any unused portion. The full financial impact to the Commonwealth is not known at this time.



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Basic Financial Statements

-THIS PAGE INTENTIONALLY LEFT BLANK-



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Government-wide Financial Statements

Commonwealth of Pennsylvania
Statement of Net Position
June 30, 2021

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current assets:				
Cash—Note 2, 16	\$ 308,796	\$ 1,187,222	\$ 1,496,018	\$ 2,210,292
Cash with fiscal agents—Note 2	20,607	844,854	865,461	—
Temporary investments—Note 2, 16	20,501,106	1,060,836	21,561,942	3,380,721
Receivables (net):				
Taxes—Note 3	2,745,142	—	2,745,142	—
Unemployment assessments	—	590,503	590,503	—
Accounts	1,855,769	215,239	2,071,008	284,247
Investment income	4,310	14,922	19,232	8,542
Interest on notes and loans	33	12,460	12,493	110,788
Loans—Note 3, 16	16,594	43,314	59,908	725,042
Lease rentals—Note 3	487	12,831	13,318	—
Investment sale proceeds	42,806	151,548	194,354	—
Other	140,631	3	140,634	58,894
Due from pension trust funds—Note 5	8,284	—	8,284	—
Due from primary government—Note 5	—	—	—	40,100
Due from component units—Note 5	27,820	—	27,820	769
Due from Federal Government	7,298,819	1,066,296	8,365,115	84,671
Due from political subdivisions	12,635	4,319	16,954	—
Due from other governments	2	32,680	32,682	—
Inventory	120,503	216,517	337,020	20,360
Prepaid expenses	—	1,113	1,113	60,851
Other assets	3,000	40,866	43,866	20,329
Total current assets	<u>33,107,344</u>	<u>5,495,523</u>	<u>38,602,867</u>	<u>7,005,606</u>
Noncurrent assets:				
Restricted cash—Note 2	—	317	317	47,380
Long-term investments—Note 2, 16	2,658,651	3,967,277	6,625,928	3,039,989
Receivables (net):				
Taxes—Note 3	1,714,261	—	1,714,261	—
Loans—Note 3, 16	36,070	421,315	457,385	8,797,724
Lease rentals—Note 3	3,288	128,812	132,100	—
Due from component units—Note 5	70,279	—	70,279	—
Non-depreciable capital assets—Note 4, 16:				
Land	3,372,296	237,335	3,609,631	489,208
Construction in progress	4,976,565	78,369	5,054,934	2,460,312
Depreciable or amortizable capital assets—Note 4, 16:				
Land improvements	1,172,389	138,660	1,311,049	519,139
Buildings and building improvements	9,159,081	523,257	9,682,338	5,743,691
Machinery and equipment	1,974,488	248,458	2,222,946	1,396,860
Turnpike infrastructure	—	—	—	8,964,668
Highway infrastructure	36,640,038	—	36,640,038	—
Bridge infrastructure	18,696,297	—	18,696,297	—
Waterway infrastructure	35,805	—	35,805	—
Infrastructure-other	265,287	—	265,287	—
Library books	—	—	—	71,868
Intangible right-to-use leases	1,175,385	342,570	1,517,955	—
Other intangible assets	1,109,560	28,889	1,138,449	89,134
Less: accumulated depreciation and amortization	(35,935,692)	(542,321)	(36,478,013)	(9,505,198)
Net depreciable or amortizable capital assets	<u>34,292,638</u>	<u>739,513</u>	<u>35,032,151</u>	<u>7,280,162</u>
Other assets	—	4,481	4,481	1,011,963
Total noncurrent assets	<u>47,124,048</u>	<u>5,577,419</u>	<u>52,701,467</u>	<u>23,126,738</u>
TOTAL ASSETS	<u>80,231,392</u>	<u>11,072,942</u>	<u>91,304,334</u>	<u>30,132,344</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3, 6, 9, 10, 16	<u>\$ 7,570,871</u>	<u>\$ 316,018</u>	<u>\$ 7,886,889</u>	<u>\$ 1,303,108</u>

Commonwealth of Pennsylvania
Statement of Net Position
June 30, 2021

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 11,751,575	\$ 2,037,136	\$ 13,788,711	\$ 602,777
Investment purchases payable	116,306	163,298	279,604	—
Tax refunds payable	542,206	—	542,206	—
Tuition benefits payable—Note 6	—	321,594	321,594	—
Securities lending obligations	86,641	60,731	147,372	17,332
Internal balances—Note 5	(13,201)	12,776	(425)	—
Due to pension trust funds—Note 5	189,776	3,443	193,219	—
Due to primary government—Note 5	—	—	—	27,525
Due to component units—Note 5	21,440	—	21,440	769
Due to political subdivisions	2,034,152	5,567	2,039,719	—
Due to other governments	49,075	1,681,661	1,730,736	2
Interest payable	164,500	16,271	180,771	331,123
Unearned revenue	7,420,498	39,906	7,460,404	200,618
Notes payable—Note 16	—	—	—	209,572
General obligation bonds payable—Note 6	872,020	—	872,020	—
Bonds Payable—Note 16	—	—	—	119,810
Revenue bonds payable—Note 6, 16	—	137,610	137,610	635,484
Self-insurance liabilities—Note 6, 8	116,431	6,863	123,294	8,114
Compensated absence liability—Note 6, 16	155,130	7,454	162,584	36,538
Insurance loss liability—Note 6	—	122,043	122,043	—
Other financing obligations—Note 6	24,900	—	24,900	2,394
Other postemployment benefit liability—Note 10, 16	109,851	400	110,251	41,357
Installment purchase liability—Note 6	1,351	—	1,351	—
Lease liability—Note 6	121,280	56,482	177,762	10,415
Other liabilities—Note 6	463,575	34,136	497,711	482,482
Total current liabilities	24,227,506	4,707,371	28,934,877	2,726,312
Noncurrent liabilities:				
Tuition benefits payable—Note 6	—	1,342,171	1,342,171	—
Due to primary government—Note 5	—	—	—	70,479
Unearned revenue	—	—	—	1,390
Student loan auction rate security bonds payable—Note 16	—	—	—	5,450
Insurance loss liability—Note 6	—	1,086,314	1,086,314	—
Notes payable—Note 16	—	—	—	2,758,731
General obligation bonds payable—Note 6	10,821,248	—	10,821,248	—
Bonds Payable—Note 16	—	—	—	2,741,749
Revenue bonds payable—Note 6, 16	—	4,489,712	4,489,712	18,508,310
Other financing obligations—Note 6, 16	511,918	—	511,918	18,368
Compensated absence liability—Note 6, 16	735,264	36,540	771,804	167,437
Self-insurance liabilities—Note 6, 8	996,785	64,172	1,060,957	51,951
Other postemployment benefit liability—Note 10, 16	19,428,198	705,494	20,133,692	2,381,904
Nonexchange financial guarantees—Note 14	—	17,356	17,356	—
Net pension liability—Note 9, 16	14,999,221	639,665	15,638,886	1,582,767
Installment purchase liability—Note 6	1,269	—	1,269	—
Lease liability—Note 6	897,898	229,555	1,127,453	213,304
Other liabilities—Note 6	2,173,726	317	2,174,043	663,707
Total noncurrent liabilities	50,565,527	8,611,296	59,176,823	29,165,547
TOTAL LIABILITIES	74,793,033	13,318,667	88,111,700	31,891,859
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3, 6, 9, 10, 16	10,447,213	695,730	11,142,943	1,335,024
NET POSITION—Note 15				
Net investment in capital assets	36,091,419	769,180	36,860,599	408,755
Restricted for:				
General government operations	143,211	—	143,211	—
Health-related programs	44,623	—	44,623	1,790
Transportation	1,617,159	144,080	1,761,239	—
Capital projects	—	1	1	4,633,042
Debt service	—	—	—	579,805
Unemployment/worker's compensation	862,490	140,100	1,002,590	—
Environmental and conservation programs	342,373	—	342,373	—
Economic development	4,649	27,484	32,133	88,127
Gaming/horse racing regulation	386,336	—	386,336	—
Emergency support	97,227	131,166	228,393	—
Higher education	—	737,501	737,501	766,229
Beneficiaries	479,986	—	479,986	—
Human services	264,167	—	264,167	—
Public protection	8,450	—	8,450	—
Other purposes	—	167,615	167,615	666,421
Unrestricted	(37,780,073)	(4,742,564)	(42,522,637)	(8,935,600)
TOTAL NET POSITION	\$ 2,562,017	\$ (2,625,437)	\$ (63,420)	\$ (1,791,431)

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



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Fund Financial Statements

Commonwealth of Pennsylvania

Balance Sheet

Governmental Funds

June 30, 2021

(Amounts in thousands)

	General Fund	Motor License Fund	Nonmajor Funds	Total
ASSETS				
Cash—Note 2	\$ 218,664	\$ 22,572	\$ 65,885	\$ 307,121
Cash with fiscal agents—Note 2	14,301	—	6,306	20,607
Temporary investments—Note 2	15,038,962	815,522	4,613,343	20,467,827
Long-term investments—Note 2	213,571	186,327	2,238,370	2,638,268
Receivables (net):				
Taxes—Note 3	4,120,799	301,600	37,004	4,459,403
Accounts	1,550,768	42,523	261,743	1,855,034
Investment income	513	24	3,771	4,308
Interest on notes and loans	33	—	—	33
Loans—Note 3	52,664	—	—	52,664
Investment sale proceeds	—	—	42,806	42,806
Lease Rentals—Note 3	3,657	—	118	3,775
Other	115,654	24,977	—	140,631
Due from other funds—Note 5	206,895	19,879	403,225	629,999
Due from pension trust funds—Note 5	722	447	—	1,169
Due from component units—Note 5	89,594	174	8,278	98,046
Due from Federal Government	6,563,282	719,258	16,279	7,298,819
Due from political subdivisions	10,115	2,502	—	12,617
Advances to other funds—Note 5	8,373	—	366,500	374,873
Other assets	3,000	—	—	3,000
TOTAL ASSETS	\$ 28,211,567	\$ 2,135,805	\$ 8,063,628	\$ 38,411,000
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 10,645,237	\$ 594,815	\$ 461,276	\$ 11,701,328
Investment purchases payable	—	—	116,306	116,306
Tax refunds payable	539,645	2,561	—	542,206
Securities lending obligations	3,828	3,347	79,098	86,273
Due to other funds—Note 5	392,946	76,692	175,613	645,251
Due to component units—Note 5	5,130	54	16,254	21,438
Due to pension trust funds—Note 5	177,450	8,565	3,410	189,425
Due to political subdivisions	1,757,902	74,986	201,257	2,034,145
Due to other governments	27,787	20,493	723	49,003
Unearned revenue—Note 3	7,325,061	41,418	54,020	7,420,499
Advances from other funds—Note 5	350,000	5,439	20,398	375,837
Other liabilities	423,009	—	—	423,009
TOTAL LIABILITIES	21,647,995	828,370	1,128,355	23,604,720
Deferred inflows of resources:				
TOTAL DEFERRED INFLOWS OF RESOURCES - Note 3	3,490,546	—	174,864	3,665,410
Fund balances—Note 15:				
Nonspendable	103,772	—	—	103,772
Restricted	206,572	1,307,435	5,725,505	7,239,512
Committed	3,379,346	—	1,049,139	4,428,485
Unassigned deficit	(616,664)	—	(14,235)	(630,899)
TOTAL FUND BALANCES	3,073,026	1,307,435	6,760,409	11,140,870
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 28,211,567	\$ 2,135,805	\$ 8,063,628	\$ 38,411,000

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

-THIS PAGE INTENTIONALLY LEFT BLANK-

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

June 30, 2021

(Amounts in thousands)

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

Total Fund Balances—Governmental Funds \$ **11,140,870**

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

Land	\$ 3,372,296	
Land improvements	1,172,197	
Buildings and building improvements	9,152,655	
Machinery and equipment	1,825,234	
Infrastructure	55,637,427	
Intangible right-to-use leases	863,774	
Other intangible assets	1,109,560	
Construction in progress	4,976,565	
Accumulated depreciation and amortization	<u>(35,808,989)</u>	
Net general capital assets		42,300,719

Certain revenues are earned but not available at fiscal year-end, and therefore, are reported as deferred inflows of resources in the governmental funds balance sheet 3,661,398

Debt refunding losses are recognized as deferred outflows of resources and debt refunding gains are reported as deferred inflows of resources in the governmental activities statement of net position (81,853)

Other miscellaneous adjustments that are not reported in the governmental funds balance sheet but are reported in the statement of net position (2)

Internal service funds are proprietary in nature and charge the costs of certain goods and services to governmental funds. Therefore, the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in the statement of net position as governmental activities (30,851)

The statement of net position includes inventories that are not reported in the governmental funds balance sheet because they are not current financial resources 105,355

The statement of net position includes net pension liabilities for the governmental funds that are considered long-term, and therefore, are not reported in the governmental funds balance sheet. These include the net pension liability and associated deferred outflows of resources and deferred inflows of resources related to these pension obligations..... (13,959,361)

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

June 30, 2021

(Amounts in thousands)

The statement of net position includes other postemployment benefit liabilities for the governmental funds that are considered long-term, and therefore, are not reported in the governmental funds balance sheet. These include the other postemployment benefit liability and associated deferred outflows of resources and deferred inflows of resources related to other postemployment benefits..... (23,413,061)

The statement of net position includes asset retirement obligations for the governmental funds that are considered long-term, and therefore, are not reported in the governmental funds balance sheet. These include the asset retirement obligation liability and associated deferred outflows of resources related to asset retirement obligations..... 160,239

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

These liabilities are:

Bonds payable	\$	(11,693,268)	
Accrued interest payable		(164,500)	
Lease and installment purchase liabilities		(716,627)	
Compensated absence liability		(887,119)	
Self-insurance liabilities		(1,108,812)	
Other financing obligations		(536,818)	
Other liabilities		<u>(2,214,292)</u>	
			<u>(17,321,436)</u>

Total Net Position—Governmental Activities **\$ 2,562,017**

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

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

For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	General Fund	Motor License Fund	Nonmajor Funds	Total
REVENUES:				
Taxes, net of refunds	\$ 37,181,965	\$ 3,562,411	\$ 2,947,216	\$ 43,691,592
Licenses and fees	702,093	1,114,831	1,405,887	3,222,811
Intergovernmental	39,636,245	2,350,760	845,604	42,832,609
Charges for sales and services	3,957,922	88,580	477,008	4,523,510
Investment income	21,636	13,391	228,606	263,633
Interest on notes and loans	843	—	2	845
Other	324,821	2,647	290,721	618,189
TOTAL REVENUES	81,825,525	7,132,620	6,195,044	95,153,189
EXPENDITURES:				
Current:				
Direction and supportive services	1,296,900	34,773	351,759	1,683,432
Protection of persons and property	5,365,030	963,566	1,024,724	7,353,320
Health and human services	51,172,007	—	652,798	51,824,805
Public education	17,398,728	276	636,487	18,035,491
Recreation and cultural enrichment	341,335	6,224	276,398	623,957
Economic development	561,813	148	685,435	1,247,396
Transportation	86,243	2,653,646	1,673,682	4,413,571
Capital outlay	234,753	2,650,500	388,643	3,273,896
Debt service:				
Principal retirement	24,740	—	823,360	848,100
Interest and fiscal charges	43,334	891	501,874	546,099
TOTAL EXPENDITURES	76,524,883	6,310,024	7,015,160	89,850,067
EXCESS/(DEFICIENCY) OF REVENUES				
OVER/(UNDER) EXPENDITURES	5,300,642	822,596	(820,116)	5,303,122
OTHER FINANCING SOURCES (USES):				
Bonds issued	—	—	1,019,600	1,019,600
Refunding bonds issued	—	—	495,525	495,525
Premium on bonds/refunding bonds	—	—	150,966	150,966
Discount on bonds issued	—	—	(1,831)	(1,831)
Other financing obligation proceeds	75,195	—	—	75,195
Premium on other financing obligation	7,627	—	—	7,627
Transfers in—Note 5	961,805	12,868	1,966,455	2,941,128
Transfers out—Note 5	(1,860,949)	(123,375)	(667,753)	(2,652,077)
Payment to refunded bond escrow agent	—	—	(494,440)	(494,440)
Leases and installment purchases	114,152	—	2,934	117,086
NET OTHER FINANCING SOURCES (USES)	(702,170)	(110,507)	2,471,456	1,658,779
NET CHANGE IN FUND BALANCES	4,598,472	712,089	1,651,340	6,961,901
FUND BALANCES, JULY 1, 2020 (restated)—Note 18	(1,525,446)	595,346	5,109,069	4,178,969
FUND BALANCES, JUNE 30, 2021	\$ 3,073,026	\$ 1,307,435	\$ 6,760,409	\$ 11,140,870

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

Commonwealth of Pennsylvania

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

Balances-Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

The governmental funds statement of revenues, expenditures and changes in fund balances reports events and activities that affect, on a current financial resources basis, fund balance changes during the fiscal year. The governmental activities column on the government-wide statement of activities conveys information on an economic resources basis. In effect, the government-wide statement demonstrates all expenses and revenues related to the operation of the government for the fiscal year ended June 30, 2021. Expenses such as depreciation and certain claims and judgments and revenues that may not be collected for several months after fiscal year-end are included in the government-wide statement but are not included in the governmental funds statement. This reconciliation reports all economic events during the fiscal year that appear on the government-wide statement of activities but are not included in the governmental funds statement.

Net change in total fund balances of governmental funds..... \$ **6,961,901**

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

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

Capital asset acquisitions	\$ 3,273,896	
Depreciation expense and losses on retirement or sale of assets	(2,504,770)	
Lease, installment purchase and related payments	128,749	
Net excess of capital asset additions/installment purchase payments over depreciation expense		897,875

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

General obligation bonds including a premium of \$150,966 and a discount of \$1,831	\$ (1,168,735)	
Refunding bonds	(495,525)	
Other financing obligations, including a premium of \$7,627	(82,822)	
Lease and installment purchase financing	(117,086)	
Total bond proceeds and lease and installment purchase financing		(1,864,168)

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

Bond principal retirement	\$ 848,100	
Payments to refunded bond escrow agent	494,440	
Total bond principal retirement and payment to refunded bond escrow agent		1,342,540

Internal service funds charge the costs of certain goods and services to individual funds. The net loss of the internal service funds is reported as part of governmental activities expenses..... (170)

Certain tax and other revenues due by fiscal year-end will not be collected for several months or years after fiscal year-end; they are not considered available revenues in the governmental funds, but they are reported as revenues in the statement of activities..... 205,679

Certain expense adjustments are reported in the statement of activities because they are not due and payable and are funded with future economic resources rather than current available financial resources..... 1,641,869

Net change in governmental net position in the statement of activities..... **\$ 9,185,526**

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

Commonwealth of Pennsylvania
Statement of Net Position
Proprietary Funds

June 30, 2021

(Amounts in thousands)

	Enterprise Funds								Internal Service Funds	
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2020)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total		
ASSETS										
Current assets:										
Cash—Note 2	\$ 244,570	\$ 860	\$ 4,742	\$ 5,750	\$ 28,237	\$ 885,074	\$ 17,989	\$ 1,187,222	\$ 1,673	
Cash with fiscal agents	844,853	—	—	—	—	—	1	844,854	—	
Temporary investments—Note 2	23,234	64,728	441,789	112,799	318,347	—	99,939	1,060,836	33,281	
Receivables (net):										
Unemployment assessments	590,503	—	—	—	—	—	—	590,503	—	
Accounts	149,319	30,842	27,552	—	6,612	—	914	215,239	738	
Investment income	1	8,627	18	6,273	—	—	3	14,922	1	
Interest on loans	9,771	—	—	—	—	1,710	979	12,460	—	
Loans—Note 3	—	—	—	—	—	20,110	23,204	43,314	—	
Lease rental—Note 3	—	—	—	—	—	—	12,831	12,831	—	
Investment sale proceeds	—	—	—	151,548	—	—	—	151,548	—	
Other	—	—	—	1	—	—	2	3	—	
Due from other funds—Note 5	665	—	21	26	177	75,095	27,454	103,438	34,206	
Due from pension trust funds—Note 5	—	—	—	—	—	—	—	—	7,116	
Due from component units—Note 5	—	—	—	—	—	—	—	—	52	
Due from Federal Government	1,064,685	—	—	—	—	—	1,611	1,066,296	—	
Due from political subdivisions	4,319	—	—	—	—	—	—	4,319	18	
Due from other governments	32,565	—	—	—	—	—	115	32,680	2	
Advances to other funds—Note 5	—	—	—	—	—	—	3,264	3,264	—	
Inventory	—	—	—	—	216,513	—	4	216,517	15,148	
Prepaid expenses	—	—	—	—	92	—	1,021	1,113	—	
Other assets	—	10,507	30,359	—	—	—	—	40,866	—	
Total current assets	2,964,485	115,564	504,481	276,397	569,978	981,989	189,331	5,602,225	92,235	
Noncurrent assets:										
Restricted cash	—	—	—	—	—	—	317	317	—	
Long-term investments—Note 2	—	1,419,441	3	2,336,673	—	—	211,160	3,967,277	20,382	
Receivables (net):										
Loans—Note 3	—	—	—	—	—	273,826	147,489	421,315	—	
Lease rentals—Note 3	—	—	—	—	—	—	128,812	128,812	—	
Non-depreciable capital assets—Note 4:										
Land	—	—	—	—	323	—	237,012	237,335	—	
Construction in progress	—	—	—	—	—	—	78,369	78,369	—	
Depreciable or amortizable capital assets—Note 4:										
Land improvements	—	—	—	—	—	—	138,660	138,660	192	
Buildings and building improvements	—	—	—	—	10,793	—	512,464	523,257	6,426	
Machinery and equipment	—	1,512	120,426	—	49,823	—	76,697	248,458	149,254	
Intangible right-to-use leases	—	112	5,075	—	337,140	—	243	342,570	311,611	
Other intangible assets	6,558	—	—	—	22,331	—	—	28,889	—	
Less: accumulated depreciation and amortization	(55)	(1,600)	(84,549)	—	(117,483)	—	(338,634)	(542,321)	(126,703)	
Net depreciable or amortizable capital assets	6,503	24	40,952	—	302,604	—	389,430	739,513	340,780	
Other assets	—	—	—	—	—	—	4,481	4,481	—	
Total noncurrent assets	6,503	1,419,465	40,955	2,336,673	302,927	273,826	1,197,070	5,577,419	361,162	
TOTAL ASSETS	2,970,988	1,535,029	545,436	2,613,070	872,905	1,255,815	1,386,401	11,179,644	453,397	
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3, 6, 9, 10	\$ 26,519	\$ 11,329	\$ 25,709	\$ —	\$ 234,691	\$ 1,471	\$ 16,299	\$ 316,018	\$ 21,899	

Commonwealth of Pennsylvania
Statement of Net Position
Proprietary Funds

June 30, 2021

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2020)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	Internal Service Funds
LIABILITIES									
Current liabilities:									
Accounts payable and accrued liabilities	\$ 1,327,849	\$ 6,089	\$ 319,422	\$ 5,455	\$ 359,309	\$ 73	\$ 18,939	\$ 2,037,136	\$ 50,244
Investment purchases payable	—	—	—	163,298	—	—	—	163,298	—
Tuition benefits payable—Note 6	—	—	—	321,594	—	—	—	321,594	—
Securities lending obligations	—	14,078	—	42,861	—	—	3,792	60,731	366
Due to other funds—Note 5	1,397	—	90,249	17	22,466	601	2,191	116,921	4,788
Due to pension trust funds—Note 5	40	—	340	22	2,895	—	146	3,443	352
Due to component units—Note 5	—	—	—	—	—	—	—	—	2
Due to political subdivisions	—	—	5,567	—	—	—	—	5,567	9
Due to other governments	1,677,974	—	2,502	—	793	—	392	1,681,661	73
Interest payable	—	—	—	—	—	16,271	—	16,271	—
Unearned revenue	—	35,073	1,881	—	—	—	2,952	39,906	—
Revenue bonds payable—Note 6	—	—	—	—	—	137,610	—	137,610	—
Self-insurance liabilities—Note 8	8	80	170	—	6,467	—	138	6,863	425
Compensated absences—Note 6	—	375	622	—	5,980	—	477	7,454	557
Insurance loss liability—Note 6	—	122,043	—	—	—	—	—	122,043	—
Advances from other funds—Note 5	—	2,557	—	—	—	—	—	2,557	—
Other postemployment benefit liability—Note 10	—	—	—	—	178	—	222	400	—
Installment purchase liability—Note 6	—	—	—	—	—	—	—	—	490
Lease liability—Note 6, 14	—	24	1,886	—	54,510	—	62	56,482	7,649
Other liabilities	—	34,115	—	—	—	—	21	34,136	—
Total current liabilities	3,007,268	214,434	422,639	533,247	452,598	154,555	29,332	4,814,073	64,955
Noncurrent liabilities:									
Tuition benefits payable—Note 6	—	—	—	1,342,171	—	—	—	1,342,171	—
Insurance loss liability—Note 6	—	1,085,697	—	—	—	—	617	1,086,314	—
Revenue bonds payable—Note 6	—	—	—	—	—	4,489,712	—	4,489,712	—
Compensated absences—Note 6	—	1,831	3,036	151	29,197	—	2,325	36,540	2,718
Self-insurance liabilities—Note 8	69	752	1,586	—	60,473	—	1,292	64,172	3,979
Other postemployment benefit liability—Note 10	5,235	36,139	60,722	—	571,001	—	32,397	705,494	45,546
Nonexchange financial guarantees—Note 14	—	—	—	—	—	17,356	—	17,356	—
Net pension liability—Note 9	2,757	34,108	59,624	—	506,122	—	37,054	639,665	56,457
Installment purchase liability—Note 6	—	—	—	—	—	—	—	—	301
Lease liability—Note 6, 14	—	—	1,269	—	228,211	—	75	229,555	296,731
Other liabilities	—	—	—	—	—	—	317	317	—
Total noncurrent liabilities	8,061	1,158,527	126,237	1,342,322	1,395,004	4,507,068	74,077	8,611,296	405,732
TOTAL LIABILITIES	3,015,329	1,372,961	548,876	1,875,569	1,847,602	4,661,623	103,409	13,425,369	470,687
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3, 6, 9, 10	34,448	33,297	46,043	—	389,139	14,213	178,590	695,730	35,460
NET POSITION—Note 15									
Net investment in capital assets	6,503	—	37,797	—	20,206	—	704,674	769,180	35,609
Restricted for:									
Transportation	—	—	—	—	—	—	144,080	144,080	—
Capital projects	—	—	—	—	—	—	1	1	—
Unemployment/workers' compensation	—	140,100	—	—	—	—	—	140,100	—
Economic development	—	—	—	—	—	—	27,484	27,484	—
Emergency support	—	—	—	—	—	—	131,166	131,166	—
Higher education	—	—	—	737,501	—	—	—	737,501	—
Other purposes	—	—	—	—	—	—	167,615	167,615	—
Unrestricted	(58,773)	—	(61,571)	—	(1,149,351)	(3,418,550)	(54,319)	(4,742,564)	(66,460)
TOTAL NET POSITION	\$ (52,270)	\$ 140,100	\$ (23,774)	\$ 737,501	\$ (1,129,145)	\$ (3,418,550)	\$ 1,120,701	\$ (2,625,437)	\$ (30,851)

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

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

For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2020)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	Internal Service Funds
OPERATING REVENUES:									
Sales and services—Note 3	\$ 2,195,551	\$ 91,751	\$ 5,456,344	\$ 209,831	\$ 2,343,876	\$ 323	\$ 38,669	\$ 10,336,345	\$ 124,527
Interest on loans	—	—	—	—	—	3,744	3,267	7,011	—
Other	—	593	—	—	—	488	1,566	2,647	—
OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS	2,195,551	92,344	5,456,344	209,831	2,343,876	4,555	43,502	10,346,003	124,527
Provision for uncollectible accounts	—	—	—	—	—	3,529	607	4,136	—
NET OPERATING REVENUES	2,195,551	92,344	5,456,344	209,831	2,343,876	8,084	44,109	10,350,139	124,527
OPERATING EXPENSES:									
Cost of sales and services	25,955,799	33,655	5,105,989	248,180	2,001,489	158,919	35,014	33,539,045	92,031
Depreciation and amortization	55	88	8,986	—	66,282	—	30,324	105,735	28,945
Other	—	—	—	—	—	7	3,995	4,002	—
TOTAL OPERATING EXPENSES	25,955,854	33,743	5,114,975	248,180	2,067,771	158,926	69,333	33,648,782	120,976
OPERATING INCOME (LOSS)	(23,760,303)	58,601	341,369	(38,349)	276,105	(150,842)	(25,224)	(23,298,643)	3,551
NONOPERATING REVENUES (EXPENSES):									
Investment income	3,399	127,605	403	312,298	509	1,481	14,945	460,640	1,691
Interest expense	—	(1)	(71)	—	(5,029)	(183,295)	(7)	(188,403)	(5,412)
Investment expense	—	(1,295)	—	(1,223)	—	—	—	(2,518)	—
Grants and other revenues	21,737,915	—	—	—	14	—	7,992	21,745,921	—
Other expenses	—	—	—	—	(1,685)	(2,283)	(4,822)	(8,790)	—
NONOPERATING REVENUES (EXPENSES), NET	21,741,314	126,309	332	311,075	(6,191)	(184,097)	18,108	22,006,850	(3,721)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(2,018,989)	184,910	341,701	272,726	269,914	(334,939)	(7,116)	(1,291,793)	(170)
TRANSFERS AND CONTRIBUTIONS:									
Capital contributions	—	—	—	—	—	—	5,539	5,539	—
Transfers in—Note 5	—	—	500	—	—	447,254	46,478	494,232	—
Transfers out—Note 5	(2,471)	—	(235,907)	—	(190,397)	(341,258)	(13,250)	(783,283)	—
TRANSFERS AND CONTRIBUTIONS, NET	(2,471)	—	(235,407)	—	(190,397)	105,996	38,767	(283,512)	—
INCREASE/(DECREASE) IN NET POSITION	(2,021,460)	184,910	106,294	272,726	79,517	(228,943)	31,651	(1,575,305)	(170)
TOTAL NET POSITION, JULY 1, 2020 (restated)—Note 18	1,969,190	(44,810)	(130,068)	464,775	(1,208,662)	(3,189,607)	1,089,050	(1,050,132)	(30,681)
TOTAL NET POSITION, JUNE 30, 2021	\$ (52,270)	\$ 140,100	\$ (23,774)	\$ 737,501	\$ (1,129,145)	\$ (3,418,550)	\$ 1,120,701	\$ (2,625,437)	\$ (30,851)

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

-THIS PAGE INTENTIONALLY LEFT BLANK-

Commonwealth of Pennsylvania
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Enterprise Funds								Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2020)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:									
Receipts from employers	\$ 2,182,694	\$ 83,587	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,266,281	\$ —
Receipts from customers and participants	—	—	5,433,777	209,831	2,344,861	—	34,586	8,023,055	117,326
Receipts from borrowers for fees and loan repayments	—	—	—	—	—	32,549	28,103	60,652	—
Receipt of premiums	—	—	—	—	—	—	6,709	6,709	—
Payments to programs for the elderly	—	—	(826,475)	—	—	—	—	(826,475)	—
Payments to prize winners	—	—	(3,582,628)	—	—	—	—	(3,582,628)	—
Payments to participants	—	—	—	(235,806)	—	—	—	(235,806)	—
Payments to claimants	(28,553,260)	(110,274)	—	—	—	—	—	(28,663,534)	—
Payments to borrowers	—	—	—	—	—	(33,474)	(40,334)	(73,808)	—
Payments for vendors, employees and other costs	—	(51,497)	(669,063)	(7,381)	(1,975,710)	(4,701)	(42,128)	(2,750,480)	(89,543)
Payments of grants and loan guarantees	—	—	—	—	—	(151,872)	—	(151,872)	—
Other receipts	—	593	—	—	—	—	1,240	1,833	202
Other payments	—	—	—	—	—	(7)	—	(7)	—
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(26,370,566)	(77,591)	355,611	(33,356)	369,151	(157,505)	(11,824)	(25,926,080)	27,985
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:									
Net advances from (to) other funds	—	127	—	—	—	—	28,058	28,185	—
Proceeds from other non-capital borrowings	—	—	—	—	—	375,541	—	375,541	—
Principal payments on other non-capital debt	—	—	—	—	—	(149,545)	—	(149,545)	—
Interest payments on other non-capital debt	—	—	—	—	—	(192,525)	—	(192,525)	—
Transfers in	—	—	500	—	—	465,642	193	466,335	—
Transfers out	(2,471)	—	(235,907)	—	(188,265)	(341,258)	(13,250)	(781,151)	—
Grants and other revenues	25,656,386	—	—	—	—	—	1,802	25,658,188	2
Bond issuance costs	—	—	—	—	—	(2,283)	(1,090)	(3,373)	—
Right-to-use lease interest	—	—	—	—	—	—	3,137	3,137	—
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	25,653,915	127	(235,407)	—	(188,265)	155,572	18,850	25,404,792	2
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Acquisition and construction of capital assets	(6,558)	—	(7,518)	—	(3,630)	—	(56,378)	(74,084)	(11,249)
Proceeds from disposal of capital assets	—	—	—	—	14	—	—	14	2,768
Lease/installment purchase payments	—	(91)	(1,992)	—	(59,988)	—	(60)	(62,131)	(13,301)
Principal payments on other capital debt	—	—	—	—	—	—	(4,495)	(4,495)	—
Interest payments on other capital debt	—	—	—	—	—	—	(119)	(119)	—
Transfers in	—	—	—	—	—	—	32,674	32,674	—
Capital contributions	—	—	—	—	—	—	5,539	5,539	—
Reimbursements of expenses from other funds	—	—	—	—	—	—	366	366	—
Maintenance payments	—	—	—	—	—	—	(419)	(419)	—
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(6,558)	(91)	(9,510)	—	(63,604)	—	(22,892)	(102,655)	(21,782)
CASH FLOWS FROM INVESTING ACTIVITIES:									
Purchase of investments	(1,835,422)	(1,390,785)	(1,755,801)	(4,449,395)	(1,816,491)	—	(92,770)	(11,340,664)	(258,427)
Sales and maturities of investments	1,824,875	1,427,707	1,618,126	4,437,097	1,680,263	—	81,259	11,069,327	249,332
Investment income	3,403	41,027	486	45,217	509	1,481	8,428	100,551	2,431
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(7,144)	77,949	(137,189)	32,919	(135,719)	1,481	(3,083)	(170,786)	(6,664)
NET INCREASE (DECREASE) IN CASH	(730,353)	394	(26,495)	(437)	(18,437)	(452)	(18,949)	(794,729)	(459)
CASH AT JULY 1, 2020	1,819,776	466	31,237	6,187	46,674	885,526	37,256	2,827,122	2,132
CASH AT JUNE 30, 2021 (including \$317 in restricted assets)	\$ 1,089,423	\$ 860	\$ 4,742	\$ 5,750	\$ 28,237	\$ 885,074	\$ 18,307	\$ 2,032,393	\$ 1,673

Commonwealth of Pennsylvania
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Enterprise Funds							Internal Service Funds	
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2020)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds		Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES									
Operating income (loss)	\$ (23,760,303)	\$ 58,601	\$ 341,369	\$ (38,349)	\$ 276,105	\$ (150,842)	\$ (25,224)	\$ (23,298,643)	\$ 3,551
Depreciation and amortization of capital assets	55	88	8,986	—	66,282	—	30,324	105,735	28,945
Amortization of other assets	—	—	—	—	—	—	3,995	3,995	—
Provision for uncollectible accounts	—	—	—	—	—	3,529	(607)	2,922	—
Other adjustments	—	—	—	—	—	—	—	—	(2,768)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:									
Unemployment assessments receivable	71,485	—	—	—	—	—	—	71,485	—
Accounts receivable	(88,248)	3,063	1,110	—	803	—	17	(83,255)	(275)
Interest on loans receivable	(354)	—	—	—	—	759	(292)	113	—
Loans receivable	—	—	—	—	—	(13,297)	(15,520)	(28,817)	—
Lease rental receivable	—	—	—	—	—	—	(219)	(219)	—
Other receivables	—	—	—	(9)	—	—	—	(9)	—
Due from other funds	10,281	—	(2)	26	23	—	(3,294)	7,034	(2,774)
Due from pension trust funds	—	—	—	—	—	—	—	—	(2,807)
Due from component units	—	—	—	—	—	—	—	—	43
Due from political subdivisions	(4,319)	—	—	—	—	—	—	(4,319)	606
Due from other governments	(11,190)	—	—	—	—	—	(59)	(11,249)	5
Inventory	—	—	—	—	10,759	—	—	10,759	(1,185)
Prepaid expenses	—	—	—	—	1,298	—	—	1,298	—
Other current and noncurrent assets	—	—	(10,427)	—	—	—	444	(9,983)	—
Deferred outflows	9,488	(6,457)	(13,408)	—	(101,435)	—	(6,249)	(118,061)	(10,172)
Accounts payable and accrued liabilities	(4,251,308)	(1,678)	121,261	2,357	76,633	73	835	(4,051,827)	11,192
Tuition benefits payable	—	—	—	2,566	—	—	—	2,566	—
Due to other funds	(3,582)	—	(100,072)	(17)	2,438	(71)	1,201	(100,103)	(315)
Due to pension trust funds	29	—	57	22	48	—	18	174	41
Due to political subdivisions	—	—	2,123	—	—	—	(21)	2,102	2
Due to other governments	1,673,088	—	(28)	—	13	—	62	1,673,135	7
Unearned revenue	—	(4,770)	160	—	—	—	2,469	(2,141)	—
Self-insurance liabilities	(50)	(41)	136	—	10,887	—	453	11,385	121
Compensated absences	—	379	515	48	1,784	—	187	2,913	219
Insurance loss liability	—	(127,634)	—	—	—	—	312	(127,322)	—
Other postemployment benefit liability	(3,977)	4,823	10,612	—	89,719	—	659	101,836	6,890
Nonexchange financial guarantees	—	—	—	—	—	2,344	—	2,344	—
Net pension liability	(6,903)	(1,385)	1,012	—	3,996	—	1,172	(2,108)	1,295
Other current and noncurrent liabilities	—	3,854	—	—	—	—	16	3,870	—
Deferred inflows	(4,758)	(6,434)	(7,793)	—	(70,202)	—	(2,503)	(91,690)	(4,636)
Total Adjustments	(2,610,263)	(136,192)	14,242	4,993	93,046	(6,663)	13,400	(2,627,437)	24,434
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (26,370,566)	\$ (77,591)	\$ 355,611	\$ (33,356)	\$ 369,151	\$ (157,505)	\$ (11,824)	\$ (25,926,080)	\$ 27,985
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:									
Increase (decrease) in fair value of investments during the fiscal year	\$ —	\$ 88,742	\$ —	\$ 257,573	\$ —	\$ —	\$ 6,537	\$ 352,852	\$ (734)
Increase (decrease) in investment receivables	(4)	(10,341)	(82)	2,708	—	—	(18)	(7,737)	(6)
Increase in investment payables	—	11,671	—	5,878	—	—	—	17,549	—
Increase (decrease) in investments from changes in securities lending obligations	—	(3,284)	—	(109,019)	—	—	556	(111,747)	(31)
Disposals of capital assets	—	—	—	—	(23,829)	—	(2,675)	(26,504)	775
Right-to-use lease acquisitions	—	—	—	—	60,787	—	—	60,787	—
Right-to-use lease terminations	—	—	—	—	(8,205)	—	—	(8,205)	—
Amortization of bond premium/discount and deferred refunding loss (net)	—	—	—	—	—	(9,461)	(44)	(9,505)	—
Transfers from other funds (accruals)	—	—	—	—	—	18,388	8,659	27,047	—
Transfers to other funds (accruals)	—	—	—	—	(7,853)	—	—	(7,853)	—

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

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

Commonwealth of Pennsylvania
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

(Amounts in thousands)

	Custodial Funds		
	Pension (and Other Employee Benefit) Trust Funds	Custodial Funds	External Investment Pool
			INVEST Program for Local Governments Dec. 31, 2020
ASSETS			
Cash—Note 2	\$ 722,340	\$ 22,658	\$ 5,904
Cash with fiscal agents	—	11,541	—
Temporary investments—Note 2	154,396	296,540	845,736
Long-term investments—Note 2	1,004,911	4,860,495	—
Short-term funds—Note 2	10,678,370	—	—
Corporate obligations—Note 2	2,899,536	—	—
Collective trust funds—Note 2	21,292,150	—	—
Real estate—Note 2	8,572,119	—	—
Alternative—Note 2	24,272,038	—	—
Securities lending collateral—Note 2	8,020,396	—	—
Asset-backed securities—Note 2	5,597,540	—	—
Domestic equities—Note 2	18,759,442	—	—
International equities—Note 2	7,871,645	—	—
International public debt securities—Note 2	603,779	—	—
Mortgage-backed securities—Note 2	270,659	—	—
Private placements—Note 2	631,220	—	—
U.S. Treasury obligations—Note 2	10,343,517	—	—
U.S. government agency debt securities—Note 2	102,230	—	—
Receivables (net):			
Taxes—Note 3	—	81,825	—
Accounts	—	518,845	—
Investment income	531,358	2,726	—
Interest on notes and loans	—	—	18
Pension contributions	1,727,045	—	—
Investment sale proceeds	605,583	630	12,572
Other	45,015	—	—
Due from other funds—Note 5	25,302	—	—
Due from pension trust funds—Note 5	659	—	—
Due from component units—Note 5	14,240	—	—
Due from political subdivisions	13,630	—	—
Due from other governments	33,346	—	—
Depreciable or amortizable capital assets:			
Machinery and equipment	13,093	—	—
Other intangible assets	44,003	—	—
Less: accumulated depreciation and amortization	(40,075)	—	—
Net depreciable or amortizable capital assets	17,021	—	—
Other assets	—	377,990	—
TOTAL ASSETS	124,809,487	6,173,250	864,230
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3	44,350	—	—
LIABILITIES			
Accounts payable and accrued liabilities	305,091	41,315	84
Investment purchases payable	2,741,130	1,885	18,476
Securities lending obligations	8,165,925	871	—
Due to other funds—Note 5	872	—	—
Due to pension trust funds—Note 5	2,130	—	—
Due to political subdivisions	—	142,486	—
Interest payable	—	—	47
Other postemployment benefit liability—Note 10	80,172	—	—
Net pension liability—Note 9	77,477	—	—
Other liabilities	641,742	20,287	—
TOTAL LIABILITIES	12,014,539	206,844	18,607
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3	55,727	—	—
NET POSITION			
Restricted for:			
Pension benefits	107,097,850	—	—
Postemployment healthcare benefits	1,309,024	—	—
Employee salary deferrals	4,376,697	—	—
INVEST Program participants	—	—	845,623
Tuition Account Investment Program participants	—	4,390,465	—
Beneficiaries	—	1,575,941	—
TOTAL NET POSITION	\$ 112,783,571	\$ 5,966,406	\$ 845,623

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

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

For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Custodial Funds	
		Custodial Funds	External Investment Pool INVEST Program for Local Governments Dec. 31, 2020
ADDITIONS:			
Contributions:			
Pension:			
Employer	\$ 8,710,726	\$ —	\$ —
Employee	2,085,689	—	—
Transfer in from other plans	115,040	—	—
Total contributions	<u>10,911,455</u>	<u>—</u>	<u>—</u>
Investment earnings:			
Net increase in fair value of investments	18,300,522	560,620	—
Interest income	785,548	402,889	7,697
Dividend income	451,884	—	—
Rental and other income	616,167	—	—
Total investment activity income	<u>20,154,121</u>	<u>963,509</u>	<u>7,697</u>
Less investment expenses:			
Investment activity expense	(774,691)	(1,005)	(1,136)
Net investment earnings	<u>19,379,430</u>	<u>962,504</u>	<u>6,561</u>
Securities lending activities:			
Income	30,067	—	—
Expenses	(7,887)	—	—
Total securities lending income	<u>22,180</u>	<u>—</u>	<u>—</u>
Total net investment income	<u>19,401,610</u>	<u>962,504</u>	<u>6,561</u>
Share transactions (at net asset value of \$1.00 per share):			
Shares issued in lieu of cash distributions	—	—	6,726
Shares purchased/redeemed (net)	—	251,071	12,238
Net increase in net position from share transactions	<u>—</u>	<u>251,071</u>	<u>18,964</u>
Tax collections for other governments	—	1,125,478	—
Member resources	—	144,937	—
Other additions	—	572,265	—
TOTAL ADDITIONS	<u>30,313,065</u>	<u>3,056,255</u>	<u>25,525</u>
DEDUCTIONS:			
Benefit payments	11,833,441	—	—
Refunds of contributions	46,059	—	—
Transfers to other plans	124,354	—	—
Administrative expenses	130,086	37,351	—
Payments of taxes to other governments	—	1,125,547	—
Distributions to participants	201	—	6,562
Member/claimant distributions	—	283,878	—
Other expenses	4,740	32,767	—
TOTAL DEDUCTIONS	<u>12,138,881</u>	<u>1,479,543</u>	<u>6,562</u>
CHANGE IN FIDUCIARY NET POSITION:			
Pension benefits	17,410,987	—	—
Postemployment healthcare benefits	281,787	—	—
Employee salary deferrals	481,410	—	—
INVEST program participants	—	—	18,963
Tuition Account Investment Program participants	—	992,997	—
Beneficiaries	—	583,715	—
TOTAL CHANGE IN FIDUCIARY NET POSITION	<u>18,174,184</u>	<u>1,576,712</u>	<u>18,963</u>
NET POSITION, JULY 1, 2020	<u>94,609,387</u>	<u>4,389,694</u>	<u>826,660</u>
TOTAL NET POSITION, JUNE 30, 2021	<u>\$ 112,783,571</u>	<u>\$ 5,966,406</u>	<u>\$ 845,623</u>

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

Commonwealth of Pennsylvania
Statement of Net Position
Discretely Presented Component Units
June 30, 2021

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2021)	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	State System of Higher Education	Nonmajor Discretely Presented Component Units	Total
ASSETS							
Current assets:							
Cash—Note 16	\$ 827,168	\$ 762,445	\$ 26,240	\$ 375,690	\$ 176,086	\$ 42,663	\$ 2,210,292
Temporary investments—Note 16	471,658	1,003	780,365	1,488,408	361,212	278,075	3,380,721
Receivables (net):							
Accounts	117,682	—	35,097	771	124,858	5,839	284,247
Investment income	5,832	2,611	5	28	—	66	8,542
Interest on notes and loans	—	16,936	87,918	4,630	—	1,304	110,788
Loans—Note 16	—	117,611	381,308	177,248	3,059	45,816	725,042
Other	—	3,783	—	—	54,313	798	58,894
Due from primary government—Note 5	18,662	1,779	1	15,587	4,071	—	40,100
Due from component units—Note 5	—	380	—	389	—	—	769
Due from Federal Government	—	—	79,389	48	—	5,234	84,671
Inventory	19,203	—	—	—	—	1,157	20,360
Prepaid expenses	—	—	12,740	—	46,251	1,860	60,851
Other assets	—	2,995	8,641	—	8,693	—	20,329
Total current assets	<u>1,460,205</u>	<u>909,543</u>	<u>1,411,704</u>	<u>2,062,799</u>	<u>778,543</u>	<u>382,812</u>	<u>7,005,606</u>
Noncurrent assets:							
Restricted cash	—	—	—	—	47,176	204	47,380
Long-term investments—Note 16	1,255,843	291,211	—	—	1,461,835	31,100	3,039,989
Receivables (net):							
Loans—Note 16	—	3,371,617	2,612,829	2,487,688	11,224	314,366	8,797,724
Non-depreciable capital assets—Note 16							
Land	442,257	2,454	8,179	—	35,163	1,155	489,208
Construction in progress	2,288,309	—	—	—	143,646	28,357	2,460,312
Depreciable or amortizable capital assets—Note 16							
Land improvements	160,973	—	—	—	347,685	10,481	519,139
Buildings and building improvements	987,325	60,219	73,234	—	3,818,753	804,160	5,743,691
Machinery and equipment	581,800	12,369	48,343	—	549,097	205,251	1,396,860
Turnpike infrastructure	8,964,668	—	—	—	—	—	8,964,668
Library books	—	—	—	—	71,484	384	71,868
Other intangible assets	—	—	89,134	—	—	—	89,134
Less: accumulated depreciation and amortization	(6,749,286)	(19,308)	(143,353)	—	(2,121,759)	(471,492)	(9,505,198)
Net depreciable or amortizable capital assets	<u>3,945,480</u>	<u>53,280</u>	<u>67,358</u>	<u>—</u>	<u>2,665,260</u>	<u>548,784</u>	<u>7,280,162</u>
Other assets	32,620	4,822	—	—	969,154	5,367	1,011,963
Total noncurrent assets	<u>7,964,509</u>	<u>3,723,384</u>	<u>2,688,366</u>	<u>2,487,688</u>	<u>5,333,458</u>	<u>929,333</u>	<u>23,126,738</u>
TOTAL ASSETS	<u>9,424,714</u>	<u>4,632,927</u>	<u>4,100,070</u>	<u>4,550,487</u>	<u>6,112,001</u>	<u>1,312,145</u>	<u>30,132,344</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 16	<u>545,956</u>	<u>34,080</u>	<u>156,517</u>	<u>3,834</u>	<u>541,088</u>	<u>21,633</u>	<u>1,303,108</u>

Commonwealth of Pennsylvania
Statement of Net Position
Discretely Presented Component Units
June 30, 2021

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2021)	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	State System of Higher Education	Nonmajor Discretely Presented Component Units	Total
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	230,311	1,896	113,698	923	238,257	17,692	602,777
Securities lending obligations	—	—	—	16,877	—	455	17,332
Due to primary government—Note 5	—	—	29	13,964	6,566	6,966	27,525
Due to component units—Note 5	—	389	—	380	—	—	769
Due to other governments	—	—	—	—	—	2	2
Interest payable	305,238	22,980	1,297	—	—	1,608	331,123
Unearned revenue	105,702	—	50	—	92,320	2,546	200,618
Notes payable—Note 16	—	5,176	174,040	30,356	—	—	209,572
Bonds Payable—Note 16	—	—	—	7,330	112,480	—	119,810
Revenue bonds payable—Note 16	480,170	114,559	—	—	—	40,755	635,484
Self-insurance liabilities	3,880	—	—	—	4,234	—	8,114
Compensated absences	9,808	—	—	167	25,878	685	36,538
Other financing obligations—Note 16	—	—	560	—	—	1,834	2,394
Other postemployment benefit liability—Note 16	—	—	—	—	40,514	843	41,357
Lease liability	—	—	—	—	10,401	14	10,415
Other liabilities	—	187,117	81,283	—	214,080	2	482,482
Total current liabilities	1,135,109	332,117	370,957	69,997	744,730	73,402	2,726,312
Noncurrent liabilities:							
Due to primary government—Note 5	—	—	—	69,079	—	1,400	70,479
Unearned revenue	384	—	—	—	1,006	—	1,390
Student loan auction rate security bonds payable—Note 16	—	—	5,450	—	—	—	5,450
Notes payable—Note 16	—	13,792	2,744,939	—	—	—	2,758,731
Bonds Payable—Note 16	—	—	—	—	2,741,749	—	2,741,749
Revenue bonds payable—Note 16	15,323,360	3,046,372	—	93,256	—	45,322	18,508,310
Other financing obligations—Note 16	—	—	7,288	—	—	11,080	18,368
Compensated absences	8,024	—	15,224	817	140,925	2,447	167,437
Self-insurance liabilities	34,677	—	—	—	17,274	—	51,951
Other postemployment benefit liability—Note 16	14,791	104,314	280,434	4,930	1,942,780	34,655	2,381,904
Net pension liability—Note 16	288,472	21,314	335,994	7,955	900,024	29,008	1,582,767
Lease liability	—	—	—	—	213,293	11	213,304
Other liabilities	235,843	322,494	—	—	105,003	367	663,707
Total noncurrent liabilities	15,905,551	3,508,286	3,389,329	176,037	6,062,054	124,290	29,165,547
TOTAL LIABILITIES	17,040,660	3,840,403	3,760,286	246,034	6,806,784	197,692	31,891,859
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 16	204,978	29,287	258,439	4,115	812,928	25,277	1,335,024
NET POSITION							
Net investment in capital assets	(1,115,845)	22,734	73,969	—	860,855	567,042	408,755
Restricted for:							
Health-related programs	—	—	—	—	—	1,790	1,790
Capital projects	276,847	—	—	4,304,172	43,190	8,833	4,633,042
Debt service	45,913	136,155	329,257	—	—	68,480	579,805
Economic development	—	—	—	—	—	88,127	88,127
Higher education	—	—	60,718	—	705,511	—	766,229
Other purposes	—	638,428	—	—	—	27,993	666,421
Unrestricted	(6,481,883)	—	(226,082)	—	(2,576,179)	348,544	(8,935,600)
TOTAL NET POSITION	\$ (7,274,968)	\$ 797,317	\$ 237,862	\$ 4,304,172	\$ (966,623)	\$ 1,110,809	\$ (1,791,431)

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

Commonwealth of Pennsylvania
Statement of Activities
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Pennsylvania					Nonmajor	
	Pennsylvania	Pennsylvania	Higher	Pennsylvania	State System	Discretely	
	Turnpike	Housing	Education	Infrastructure	of Higher	Presented	
	Commission	Finance	Assistance	Investment	Education	Component	
	(May 31, 2021)	Agency	Agency	Authority		Units	Total
Expenses	\$ 2,007,848	\$ 736,635	\$ 822,281	\$ 71,776	\$ 2,314,883	\$ 135,259	\$ 6,088,682
Program revenues:							
Charges for goods and services	1,231,549	206,247	456,352	36,391	1,124,949	41,370	3,096,858
Operating grants and contributions	28,332	540,312	434,957	100,588	1,258,736	64,385	2,427,310
Capital grants and contributions	164,147	—	—	111,510	4,875	4,635	285,167
TOTAL PROGRAM REVENUES	1,424,028	746,559	891,309	248,489	2,388,560	110,390	5,809,335
Net (expense) revenue	(583,820)	9,924	69,028	176,713	73,677	(24,869)	(279,347)
Special Item—Note 16	—	—	(57,391)	—	—	—	(57,391)
CHANGE IN NET POSITION	(583,820)	9,924	11,637	176,713	73,677	(24,869)	(336,738)
TOTAL NET POSITION, JULY 1, 2020	(6,691,148)	787,393	226,225	4,127,459	(1,040,300)	1,135,678	(1,454,693)
TOTAL NET POSITION, JUNE 30, 2021	\$ (7,274,968)	\$ 797,317	\$ 237,862	\$ 4,304,172	\$ (966,623)	\$ 1,110,809	\$ (1,791,431)

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

INDEX TO NOTES

	<u>Page</u>
Note 1 Summary of Significant Accounting Policies.....	70
Note 2 Deposits, Investments and Financial Instruments with Off-Balance Sheet Risk.....	87
Note 3 Receivables, Unearned Revenue and Deferred Resources.....	116
Note 4 Capital Assets.....	121
Note 5 Internal/Interfund Balances and Transfers.....	125
Note 6 Long-Term Obligations - Governmental and Business-Type Activities.....	130
Note 7 Short-Term Debt.....	140
Note 8 Self-Insurance Liabilities.....	141
Note 9 Pension.....	143
Note 10 Other Postemployment Benefits (OPEB).....	150
Note 11 Certain Claims Liabilities.....	166
Note 12 Joint Venture.....	167
Note 13 Tax Abatements.....	168
Note 14 Commitments and Contingencies.....	172
Note 15 Net Position and Fund Balance.....	176
Note 16 Discretely Presented Component Units.....	179
Note 17 Subsequent Events.....	199
Note 18 Restatements.....	200

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

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

Government-wide Financial Statements

Government-wide financial statements report the financial position and results of activities for the Commonwealth as a whole, except for its fiduciary activities. Separate columns are presented for governmental and business-type activities within the primary government (PG) and discretely presented component units (DPCU). The statement of net position reports all assets, deferred outflows of resources, liabilities and deferred inflows of resources for the primary government of the Commonwealth. The statement of activities reports the total cost of providing governmental services, by function, net of related program revenues; and after including general revenues, reports whether the total net position of the government increased or decreased during the fiscal year ended June 30, 2021. The government-wide financial statements do not include any fiduciary fund assets, liabilities or activities for the primary government or component units (CU) that are fiduciary in nature because they are held for the benefit of others and are not available to address activities or obligations of the PG. Governmental activities within government-wide financial statements include specific balances and transactions related to internal service funds that are reported as proprietary funds in fund financial statements. Business-type activities include information for all enterprise funds and two blended CUs.

Financial Reporting Entity

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

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

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

Primary Government

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

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

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

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

Blended Component Units

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

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

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

Fiduciary Fund Component Units

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

benefit options and a new defined contribution only option for all Commonwealth employees, excluding most hazardous duty employees, who first enter SERS membership on or after January 1, 2019. The defined benefit plan and the defined contribution plan are funded through a combination of employee contributions, employer contributions and investment earnings. The deferred compensation plan is funded by voluntary employee contributions and investment earnings. The SERS is reported for its fiscal year ended December 31, 2020.

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

Discretely Presented Component Units

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

Pennsylvania Turnpike Commission (PTC) - The PTC was created to construct, maintain, and operate a turnpike system in the Commonwealth. Activities are financed through user tolls and the issuance of revenue bonds. Debt service payments are funded through user tolls. The PTC works closely with the Department of Transportation. The PG appoints all voting board members. When all the PTC bondholders have been satisfied, the PTC assets revert to the Department of Transportation, which represents a financial benefit to the PG. The Governor must approve the issuance of all PTC debt, by which the PG can impose its will. The PG is not obligated for all PTC debt, but the PG could take certain actions to satisfy bondholders. Note 14 to the Financial Statements provides information related to the Commonwealth's contingent liability for certain PTC debt at fiscal year-end. The PTC is reported for its fiscal year ended May 31, 2021.

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

Pennsylvania Higher Education Assistance Agency (PHEAA) - The PHEAA makes grants and loans to students to help fund the cost of higher education. Through June 30, 2021, lending institutions and post-secondary schools were involved in the loan program. The PG funds the PHEAA grant program; the PHEAA issues revenue bonds to fund the student loan program. Revenue bonds are repaid from student loan repayments. The PHEAA also services student loan portfolios for lending institutions and the Federal Government. The PG appoints all twenty voting board members. A significant PG financial burden exists through subsidizing the PHEAA grant program; also, although the PG is not obligated for the PHEAA revenue bonds, the PG could take certain actions to satisfy bondholders. The PHEAA is fiscally dependent, as the Governor must approve the issuance of its debt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Philadelphia Shipyard Development Corporation (PSDC) - The PSDC was created as a nonprofit corporation to assist the PG and other governmental entities in financing a shipbuilding facility at the former Philadelphia Naval Shipyard. The PG appoints the majority of the governing board by appointing three of five voting board members. The PG also provides a significant portion of funding for the PSDC, which is a financial burden to the PG. The PSDC obtains funding from the PG and a variety of other governmental sources to fund development, construction, and job recruitment and training costs. The PSDC is reported for its fiscal year ended December 31, 2020.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Pennsylvania Convention Center Authority (PCCA) - The PCCA was created to operate the Pennsylvania Convention Center located in the City of Philadelphia. The PG may impose its will because it has final approval authority over the PCCA operating and capital budgets and the PCCA may not incur debt without the prior written approval of the PG. The PG financed a portion of the PCCA facility in prior fiscal years and during the fiscal year ended June 30, 2021, as well as paying other periodic amounts to the PCCA, thus there is a financial burden on the PG.

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

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

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

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

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

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

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

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

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

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

Joint Venture

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

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

Primary Government - Fund Structure

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Governmental Funds

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

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

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

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

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

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

Proprietary Funds

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The **State Workers' Insurance Fund (SWIF)** was created by legislation on June 2, 1915 and operates within the Department of Labor and Industry. It is a self-sustaining fund providing workers' compensation insurance to employers, including those who are refused policies by private insurance firms. The **SWIF** is subject to underwriting rules, classifications, and rates promulgated by rating bureaus authorized by the Commonwealth Insurance Commissioner. Premium rates are established by the bureaus based on the history of accidents by industry classification. Revenues are generated by premiums charged to policyholders plus investment income. Workers' compensation payments and administration costs are paid from the **SWIF**. The **SWIF** is reported for its fiscal year ended December 31, 2020.

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

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

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

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

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

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

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

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

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

Trust and custodial funds account for assets held in a trustee capacity or as a custodian for third party beneficiaries, such as individuals, private organizations, other governmental units. Funds are classified as pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. With the exception of employee benefit trust funds, fiduciary fund resources may not be derived from Commonwealth revenues and other resources. The Commonwealth reports pension and other employee benefit trust funds and custodial funds.

The State Employees' Retirement System (SERS)-Pension, a defined benefit pension trust fund, accounts for the payment of retirement, disability, and death benefits to members of the SERS and their beneficiaries. The Deferred Compensation Fund is a pension trust fund that collects and administers amounts contributed by Commonwealth employees who defer a portion of their income until future years, in accordance with Internal Revenue Code Section 457. The SERS-Defined Contribution, a defined contribution pension trust fund, administered by the SERS, was established by Act 5 of 2017 to provide defined contribution retirement benefits to new members of the SERS effective January 1, 2019. The SERS-Pension, SERS-Defined Contribution and the Deferred Compensation Fund are reported for their fiscal years ended December 31, 2020.

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

The INVEST Program for Local Governments is an external investment pool, not held in trust, reported as a custodial fund that invests amounts owned by local governments, school districts, and not for profit entities. The INVEST Program for Local Governments is reported for its fiscal year ended December 31, 2020. Audited financial statements for that Program are available through the Chief Accounting Officer.

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

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

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

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

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

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

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

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

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

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

Proprietary Funds and Fiduciary Funds

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

Proprietary funds classify revenues and expenses as either operating or non-operating, depending on the nature of the activities reported in the individual fund. The majority of transactions are reported as operating; however, investment

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

income and grants are reported as non-operating revenues by all proprietary funds. Fiduciary funds classify revenues and expenses as either additions or deductions to net position.

Significant Accounting Policies

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

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Capital Asset Impairments: Through a variety of policies, Commonwealth management requires agencies to perform periodic assessments of general and other capital assets. Beyond initial reporting (upon acquisition), agencies must adhere to

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

continuing policies regarding usability, function, and condition of reported capital assets. With few exceptions, Commonwealth agencies using capital assets must report impairments promptly.

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

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

A minimum dollar threshold was established for lease reporting:

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

Interfund Balances: Amounts due from/to other funds are reported for unremitted charges or collections at fiscal year-end that arise in connection with routine, ordinary governmental fund and proprietary fund operations. The composition of the Commonwealth’s interfund receivables/payables at June 30, 2021 and transfers in/out during the fiscal year ended June 30, 2021 are presented in Note 5. Interfund balances between two governmental funds or two proprietary funds are not reported in the statement of net position.

Investment Income: Investment income includes interest, dividends, realized gains and losses, and the change in the fair value of investments, if any, during the fiscal year. If the change in the fair value of investments decreases during any specific fiscal year, such decreases could cause reported overall investment income to be negative within specific funds. Similarly, realized losses could cause reported overall investment income to be negative within specific funds. Certain investment

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

income from specific funds' investments is assigned to another fund and is reported by the receiving fund if the income is transferred for legal or contractual reasons; otherwise, the investment income is reported as a transfer by the receiving fund.

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

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

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

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

Interest Expense: In the statement of activities, no interest expense is reported by direct program costs. No interest expense was capitalized during the fiscal year ended June 30, 2021.

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

Restricted Net Position: These amounts were determined based on enabling legislation, externally restricted by creditors, grantors, contributions or laws that provide for restrictions on how the resources of special (non-**General Fund**) funds may be used. At June 30, 2021, a portion of governmental activities net position was restricted based on a Federal Government purpose restriction.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Governmental Funds Fund Balance Categories****Nonspendable:**

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

Spendable Categories:

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

Unrestricted:

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

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

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

Classification among Fund Balance Categories: Commonwealth laws, including annual enacted budgets, include legally enforceable expenditure restrictions on all funds. Commonwealth laws do not specifically recognize 'restricted' or 'unrestricted' (committed, assigned or unassigned) fund balance amounts. For financial reporting purposes, fund balance amounts for individual Commonwealth funds are reported in the first classification for which the amount 'qualifies', in this order: nonspendable, restricted, committed, assigned, and unassigned. Amounts are considered to have been spent from the fund balance classification from which specific expenditures are legally authorized. Within individual, specific Commonwealth funds, based on applicable law, individual expenditures may be disbursed from only one, specific appropriation at a time. Budgetary spending control occurs at the appropriation level. Since appropriations are not duplicated among the various GAAP-reported fund balance classifications and Commonwealth laws do not recognize the various classifications, accounting policies cannot establish that restricted amounts are spent before or after unrestricted amounts, or, within unrestricted amounts, that committed, assigned or unassigned amounts are spent in any specific order.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements - Adopted:

The GASB issued Statement No. 87, "Leases" in June 2017. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The adoption of this statement resulted in the recognition of significant additional lease related assets, liabilities, and deferred inflows of resources. Notes 3, 4, and 6 provide details on the balances reported. The impacts to previously reported net position and fund balances are summarized in Note 18.

The GASB issued Statement No. 98, "The Annual Comprehensive Financial Report" in October 2021. This Statement establishes a new name designation and related acronym for state and local government annual financial statements, the Annual Comprehensive Financial Report (ACFR). The adoption of this statement resulted in changes to the naming convention used throughout the report, but has no impact to the financial information provided.

New Accounting Pronouncements - To Be Adopted:

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

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

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

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

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

The GASB issued Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" in June 2020. This statement looks to increase consistency and comparability related to the reporting of fiduciary component units that are established as Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan or other benefits of those plans.

The new standards must be adopted as follows:

- GASB Statement No. 91 Effective July 1, 2022 for financial statements for fiscal year ending June 30, 2023.
- GASB Statement No. 92 Effective July 1, 2021 for financial statements for fiscal year ending June 30, 2022.
- GASB Statement No. 93 Effective July 1, 2021 for financial statements for fiscal year ending June 30, 2022.
- GASB Statement No. 94 Effective July 1, 2022 for financial statements for fiscal year ending June 30, 2023.
- GASB Statement No. 96 Effective July 1, 2022 for financial statements for fiscal year ending June 30, 2023.
- GASB Statement No. 97 Effective July 1, 2021 for financial statements for fiscal year ending June 30, 2022.

The effect of these statements has not yet been determined.

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

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

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

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

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

Other Investing Organizations

Certain investing organizations have statutory authority, which is comparable to the Treasury Department 'prudent person' authority above. The investments of such organizations are accounted for in the following funds: Workmens' Compensation, Workers' Compensation Security Trust, **State Workers Insurance Fund (SWIF)**, **Tuition Payment**, Tuition Account Investment Program, **Commonwealth Financing Authority (CFA)**, Pennsylvania Industrial Development Authority (PIDA), INVEST Program for Local Governments (INVEST Program), and Underground Storage Tank Indemnification (collectively, other investing organizations). Most of the other investing organizations establish contractual arrangements with investment managers, which identify investment objectives without providing strict limitations on 'allowable' investment purchases. Most of the other investing organizations prohibit investing in certain assets, such as commodities and futures contracts, private placements (except Section 144), and limited partnerships. Several of the organizations also prohibit short selling and margin transactions. An exception includes **Tuition Payment**; this organization permits some or all of the previously mentioned prohibited assets and transactions as well as foreign investments. **SWIF** and INVEST Program amounts are reported as of December 31, 2020 unless otherwise noted.

Pension Trust Funds

The State Employees' Retirement System (SERS), the Deferred Compensation Program (DCP), the Public School Employees' Retirement System (PSERS) and the Other Postemployment Benefit Investment Pool constitute combined pension (and other employee benefit) trust funds reported in the basic financial statements. The Other Postemployment Benefits Investment

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

Pool is managed by the Treasury Department, whereas the other aforementioned trusts are managed outside the Treasury Department.

Pension trust funds avoid deposit risks as such deposits must be authorized by the Treasury Department. Several state laws govern investment authority for the SERS and the PSERS, such laws provide 'prudent person' investing authority. Allowable DCP investment options are established by the SERS under its applicable statutory authority. A material portion of total pension trust fund investments consists of equity securities, real estate and fixed income investments. The SERS and DCP are reported as of December 31, 2020.

Statutory Liquidator Fund

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

Fair Value of Investments**Treasury Department**

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

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

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

The Treasury Department has the following recurring fair value measurements as of June 30, 2021:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Debt Securities				
Corporate obligations	\$ 1,733,211	\$ 6,916	\$ 1,724,510	\$ 1,785
U.S. Treasury obligations	1,744,371	1,744,371	—	—
Mortgage backed securities	1,093,325	—	1,093,325	—
Private placements	233,166	—	233,166	—
State and municipal obligations	17,196	—	17,196	—
U.S. government agencies	—	—	—	—
Asset backed securities	11,910	—	11,910	—
U.S. government sponsored enterprises	920,520	—	920,520	—
Commercial paper	11,481,947	—	11,481,947	—
Sovereign debt	103,128	—	103,128	—
Equity Securities				
Equity	2,728,542	2,494,074	—	234,468
Preferred securities	17,772	1,393	16,379	—
Other				
Certificates of deposits	997,629	—	997,629	—
Mutual funds	816,574	816,574	—	—
Money market mutual funds	11,115,451	11,074,646	40,805	—
Total investments by fair value level	\$ 33,014,742	\$ 16,137,974	\$ 16,640,515	\$ 236,253
Investments by Net Asset Value (NAV)				
Real estate alternative managers	60,614			
Fund of funds alternative managers	69,923			
Private equity alternative managers	64,253			
Absolute return alternative managers	63			
Total investments at NAV	194,853			
Total investments measured at fair value	\$ 33,209,595			

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

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

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

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

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

	Fair Value	Unfunded Commitments	Redemptions Frequency	Redemption Notice Period
Real estate alternative managers ⁽¹⁾	\$ 60,614	\$ 11,495	Monthly	n/a, 30-60 days
Fund of funds alternative managers ⁽²⁾	69,923	21,030	Monthly, Quarterly	n/a, 45-90 days
Private equity alternative managers ⁽³⁾	64,253	6,847	n/a	n/a, 60 days
Absolute return alternative managers ⁽⁴⁾	63	—	n/a	n/a, 60 days
Total investments at NAV	\$ 194,853	\$ 39,372		

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

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

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

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

State Employees’ Retirement System (SERS)

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

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

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

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

in Level 3 reflect prices, which may use several unobservable inputs using assumptions based on market methodologies to determine the fair value of investments.

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

The SERS has the following fair value measurements as of December 31, 2020:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Defined Benefit Plan				
Fixed Income				
Agencies	\$ 102,230	\$ —	\$ 102,230	\$ —
Asset and mortgage backed securities	1,895,050	—	1,892,288	2,762
Corporates	2,109,867	—	2,089,340	20,527
Government	4,460,194	—	4,460,194	—
Sovereign debt	339,579	—	339,579	—
Private placements	631,220	—	620,240	10,980
Equity				
Domestic common and preferred stocks	9,077,428	9,067,022	10,406	—
Foreign common and preferred stocks	958,356	958,356	—	—
Commingled public equity funds	5,206,066	5,206,066	—	—
Real Estate				
Real estate securities	269,856	269,856	—	—
Value add/opportunistic SMA	714,134	—	—	714,134
Other Investments	3,764	3,486	278	—
Total investments by fair value level	\$ 25,767,744	\$ 15,504,786	\$ 9,514,555	\$ 748,403
Investments by Net Asset Value (NAV)				
Buyouts private equity	2,716,819			
Growth equity private equity	1,089,168			
Legacy private equity	652,507			
Special situations private equity	503,485			
Diversified credit private equity	291,664			
Direct lending private equity	225,294			
Distressed debt private equity	147,550			
Core/core plus real estate	1,034,445			
Value add/opportunistic real estate	561,999			
Legacy real assets real estate	5,222			
Opportunistic fixed income hedge funds	995,196			
Legacy hedge funds	24,220			
Commingled fixed income funds	349,692			
Total investments at NAV	8,597,261			
Total investments measured at fair value	\$ 34,365,005			

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

Investments by Fair Value Level	Total	Level 1
Defined Contribution Plan		
Target date funds	\$ 31,445	\$ 31,445
Commingled public equity funds	2,844	2,844
Commingled fixed income funds	450	450
Other investments	41	41
Total investments measured at fair value	\$ 34,780	\$ 34,780

Private equity limited partnerships are valued at the NAV of the SERS' ownership interest in partners' capital, which approximates fair value. The NAV is determined by the general partners. Private equity limited partnerships are audited at least annually. Since private equity investments in such partnerships are generally illiquid with holding periods lasting three to 10 years, the value realized by the SERS upon disposition may differ from estimated values reflected in the financial statements. The SERS' private equity investments on the Statement of Fiduciary Net Position are categorized into the following strategies:

- Buyouts are investments in established businesses that are undergoing a fundamental change in operations or strategy.
- Growth Equity/Venture Capital consists of private equity investments in late-stage venture, minority growth equity, and small buyout strategies. Venture Capital was an active sub-strategy until 2019 and previously referred to under the Growth Equity and Venture Capital sub-asset class in prior reporting periods.
- Special Situations are investments in funds that acquire distressed companies or companies in need of restructuring, funds from the secondary market, and funds providing mezzanine financing.
- Legacy Private Equity consists of a consolidation of private equity funds from various sub asset-classes (Buyouts, Growth Equity/Venture Capital, and Special Situations) that were not considered part of the SERS core investment strategy. These assets are currently being managed by a third-party administrator which provides day-to-day oversight of operations.
- Private Credit are closed-end (drawdown) limited partnership structures, often with a significant contractual cash flow component, with liquidity events in five to 10 years. In 2019 Private Credit was an individual investment type but in 2020 SERS' Private Credit investments were broken out and stated separately using the following strategies:
 - Direct Lending are funds that will lend money to privately held firms, often as part of a private equity-leveraged buyout transaction. These loans tend to be predominantly medium-duration, floating rate, and senior in the capital structure.
 - Diversified Credit are funds that invest in various credit strategies including specialty lending, niche credit opportunities, mezzanine and other debt securities, credit derivatives, structured credit and structured equity.
 - Distressed Debt invest in the credit securities of distressed companies or companies in need of restructuring.

Real estate limited partnerships are valued at the NAV of the SERS' ownership percentage in partners' capital. The investment managers use third-party appraisals based on discounted cash flows, recent comparable sales, and current market conditions to arrive at NAV. For the SERS' Value Add/Oppportunistic Funds and Core/Core Plus, NAV is updated by independent appraisals typically at least every three years by appraisers who meet specific professional qualifications. The appraisal process involves significant judgment and estimating; thus, the value upon sale of an asset may differ from its appraised value.

Because the investments in such partnerships are generally illiquid with holding periods lasting seven to 10 years, the value realized by the SERS upon disposition may differ materially from estimated values reflected in the financial statements. The following portions of the SERS' real estate investments are valued at NAV:

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

- Value Add/Opportunistic Funds utilize greater leverage and development strategies relative to core strategies, thereby taking higher risks but demand higher returns. Returns are primarily generated from capital appreciation from opportunistic investments. Strategies for this category of investing can include niche opportunities that are typically not available in core-style investing. These are closed-end funds.
- Core/Core Plus are a long-term investment in high-quality real estate that generates returns primarily from stable income producing properties. These are open-end funds.
- Legacy Real Assets differ from real estate in that they focus on other real assets other than real estate but maintain the characteristics of collateralization by hard assets and income-producing potential. This strategy was referred to as Natural Resources/Infrastructure in 2019.

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

- Opportunistic Fixed Income/Credit-Focused Strategies are investments that include directional and relative value investments through various structures, excluding closed-end funds, that may include debt securities, credit derivatives and related instruments, and/or multi-sector fixed income funds. This was an active hedge fund strategy in 2020 and 2019, and was referred to as Opportunistic Fixed Income and Credit-Focused Strategies in those years, respectively.
- Legacy Hedge Funds includes hedge funds that the SERS is no longer actively investing in. In 2019, these investments were further categorized into the following:
 - Direct Investments were investments where the SERS and other institutional investors pool their funds with a manager tasked with incorporating hedge strategies. The assets are to be sold in an orderly fashion as market conditions dictate.
 - Absolute Return Strategies were investments intended to produce uncorrelated diversified return streams in the portfolio to help preserve and enhance the real value of the pension fund over long periods of time. The assets are to be sold in an orderly fashion as market conditions dictate.
 - Funds-of-Hedge Funds were investments in funds with investment managers who invest in hedge funds. Funds-of-Hedge Funds provided an additional layer of fiduciary oversight (investment, legal, compliance, and monitoring) with similar all-in fees as direct investments in hedge funds. The SERS was the only limited partner and was able to make larger allocations, which lowered fees and improved liquidity terms. The assets are to be sold in an orderly fashion as market conditions dictate.

The Defined Benefit Plan's commingled fixed income funds are pooled investments in multiple debt-type securities, which are valued at NAV. The NAV for commingled fixed income funds is calculated using the closing price of the underlying investments, with the total value of the fund being apportioned to the SERS based on units of ownership.

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

The SERS has the following investments measured at the Net Asset Value (NAV) as of December 31, 2020:

Defined Benefit Plan	Fair Value	Unfunded Commitments	Redemptions Frequency	Redemption Notice Period
Buyouts private equity	\$ 2,716,819	\$ 1,875,768	n/a	n/a
Growth equity private equity	1,089,168	189,223	n/a	n/a
Legacy private equity	652,507	123,417	n/a	n/a
Special situations private equity	503,485	516,171	n/a	n/a
Diversified credit private equity	291,664	466,499	n/a	n/a
Direct lending private equity	225,294	346,270	n/a	n/a
Distressed debt private equity	147,550	148,142	n/a	n/a
Core/core plus real estate	1,034,445	131,759	Quarterly	60 - 90 days
Value add/opportunistic real estate	561,999	444,639	n/a	n/a
Legacy real assets real estate	5,222	—	Daily	None
Opportunistic fixed income hedge funds	995,196	—	Quarterly	95 days
Legacy hedge funds	24,220	—	see note (1)	see note (1)
Commingled fixed income funds	349,692	—	Quarterly	30 days
Total investments at NAV	\$ 8,597,261	\$ 4,241,888		

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

The SERS also has investments that are not measured at fair value or the NAV, which were excluded from the previous tables. The SERS owns a portion of the Commonwealth Treasury Department’s (Treasury Department) short-term investment fund (STIF). The SERS portion of STIF is valued at amortized cost. The value of the SERS Defined Benefit Plan and Defined Contribution Plan portions of the STIF were \$1,838,986 and \$6,432, as of December 31, 2020. Additionally, the SERS has investments that are carried at cost. These other investments totaled \$7,115 as of December 31, 2020.

Deferred Compensation Program (DCP)

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

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

The target date funds, U.S. bond index fund, core equity funds (U.S. large-cap; U.S. mid/small-cap, global non-U.S. equities (in 2020), and international equities (in 2019)), and Self-Directed Brokerage Accounts are valued using prices quoted in active markets for those securities and are categorized as Level 1 of the fair value hierarchy. The total value of the fund is apportioned to the DCP based on units of ownership. Funds are marked to market daily with changes in fair value recognized as part of investment and investment income.

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

The DCP also has investments that are not measured at fair value or NAV and are excluded from the following fair value hierarchy table. These investments include cash, Short-Term Investment Fund, the Commonwealth Treasury Department’s short-term investment fund (STIF), and a group annuity contract totaling \$85,319 for December 31, 2020. The Short-term

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

Investment Fund and STIF are valued at amortized cost with the total value of the fund being apportioned to the DCP based on units of ownership. The group annuity contract, which is no longer offered to participants, is valued at contract value. Contract value for the group annuity contract represents contributions made under the contract, plus earnings, less payments made to retirees and terminated participants.

The DCP has the following fair value measurements as of December 31, 2020:

Investments by Fair Value Level	Level 1
Self directed brokerage accounts	\$ 166,059
Commingled investment funds	
Target date funds	866,660
U.S. large company stock index fund	1,158,009
U.S. small/mid company index fund	501,307
U.S. bond index fund	225,237
Global non-U.S. stock index fund	139,702
Total investments by fair value level	<u>\$ 3,056,974</u>
Investments by Net Asset Value (NAV)	
Stable value fund	<u>\$ 1,236,970</u>
Total investments measured at fair value	<u><u>\$ 4,293,944</u></u>

Public School Employees’ Retirement System (PSERS)

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

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

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

At June 30, 2021, the PSERS had the following recurring fair value measurements:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Short-term				
PSERS Short-Term Investment Fund	\$ 8,548,497	\$ 7,216,976	\$ 1,331,521	\$ —
Other domestic short-term	421,723	409,030	12,693	—
International short-term	30,236	10,409	19,827	—
Fixed income				
Domestic asset backed and mortgage backed securities	3,973,150	3,231,680	741,470	—
U.S. government and agency obligations	5,883,322	5,875,720	7,602	—
Domestic corporate and taxable municipal bonds	783,904	—	783,904	—
International fixed income	264,200	—	264,200	—
Common and preferred stock				
Domestic common and preferred stock	9,350,519	9,336,155	14,364	—
International common and preferred stock	7,239,623	7,239,618	—	5
Directly owned real estate	1,224,906	(268,235)	—	1,493,141
Total investments by fair value level	\$ 37,720,080	\$ 33,051,353	\$ 3,175,581	\$ 1,493,146
Investments by Net Asset Value (NAV)				
Collective trust funds - fixed income	2,348,756			
Collective trust funds - common and preferred stock	1,847,731			
Collective trust funds	7,321,974			
Equity real estate	4,229,593			
Infrastructure	531,964			
Private equity alternative investments	12,206,056			
Private credit alternative investments	5,285,350			
Absolute return alternative investments	134,729			
Total investments at NAV	33,906,153			
Total investments measured at fair value	\$ 71,626,233			
Investment derivative instruments				
Futures	75,247	75,247		
Total return type swaps	(65,756)	(65,756)		
Foreign exchange contracts	45,319	45,319		
Options	5693	5693		
Total investment derivative instruments	\$ 60,503	\$ 60,503		

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

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

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

Alternative investments, which include private equity, equity real estate, private credit, and private infrastructure, are generally organized as limited partnerships. The fair value of investments that are organized as limited partnerships, and has no readily available daily fair value, has been determined by using the net asset value per share (or its equivalent) of PSERS’ ownership interest in partners’ capital. These net asset values are based on the individual investor’s June 30, 2021 capital account balance reported at fair value by the general partner of the respective limited partnership, or the most recently available reporting period, adjusted for subsequent contributions, distributions, management fees, changes in values of foreign currency, and published market prices for certain securities.

The limited partnerships’ annual financial statements are audited by independent auditors, which produce estimates of fair values. When estimating fair values, it is possible that these estimates could change in the near-term, or upon the sale of the assets, resulting in valuations that could differ from the June 30, 2021, reported net asset value.

Directly-owned real estate investments are primarily valued based on appraisals performed by independent appraisers and, for properties not appraised, the present value of the projected future net income stream is used. Directly-owned real estate investments are reported net of related debt borrowed against the market value of the property. At June 30, 2021 and 2020, \$132,000 of open-ended repurchase agreements were netted against the related property valuation and classified as Level 1. The agreements were payable at an interest rate equivalent to one month LIBOR plus 40 basis points until February 2021 when the interest rate was changed to one month LIBOR plus 25 basis points. The agreements are collateralized by certain fixed income investments of the PSERS. At June 30, 2021, \$136,235 of mortgage financings were netted against the related property valuations and classified as Level 1. Three mortgage loans totaling \$102,000 have monthly interest-only payments at a fixed interest rate of 1.70% with all principal due at March 1, 2026. A fourth mortgage loan at June 30, 2021 and 2020 of \$34,235 has monthly interest-only payments at a fixed interest rate of 3.97% with all principal due at March 1, 2026.

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

The valuation method for investments measured at the NAV per share (or its equivalent) as of June 30, 2021 is presented in the following table:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemptions Frequency</u>	<u>Redemption Notice Period</u>
Collective trust funds - fixed income ⁽¹⁾	\$ 2,348,756	\$ —	see note (1)	0-90 days
Collective trust funds - common and preferred stock ⁽¹⁾	1,847,731	—	see note (1)	0-90 days
Collective trust funds ⁽¹⁾	7,321,974	—	see note (1)	0-90 days
Equity real estate ⁽²⁾	4,229,593	2,220,783	see note (2)	see note (2)
Infrastructure ⁽⁵⁾	531,964	943,655	see note (5)	see note (5)
Private equity alternative investments ⁽³⁾	12,206,056	5,552,444	see note (3)	see note (3)
Private credit alternative investments ⁽⁴⁾	5,285,350	2,902,087	see note (4)	see note (4)
Absolute return alternative investments ⁽⁶⁾	134,729	490,069	see note (6)	see note (6)
Total investments at NAV	<u>\$ 33,906,153</u>	<u>\$ 12,109,038</u>		

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

(2) Equity real estate generally consists of real estate limited partnerships. These investments are across multiple assets types such as industrial, multi-family, office, retail, hotels, agriculture (permanent crops), and other real estate related assets. The

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

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

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

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

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

(6) Absolute return includes investments that are private investment funds that seek to produce absolute returns generally using event-driven, tactical trading, and relative value strategies. Event-driven funds seeks to gain an advantage from pricing

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

inefficiencies that may occur before or after a corporate action or related event, such as a merger, spinoff, earnings call, bankruptcy, or restructuring. Tactical trading funds invest their holdings in indexes, commodities, interest rate instruments, and currencies as a result of relative value or directional forecasts from a systematic or discretionary approach. Relative value strategies use a range of fixed income arbitrage, insurance linked, long-short credit, and/or quantitative strategies that seek to take advantage of price differentials. The fair values of the investments in this type have been determined using the NAV per share of the investments. Approximately 90% of these investments can be redeemed from one to 12 months as of June 30, 2021. The remaining investments include restrictions that do not allow redemption during the next 12 months and are expected take as long as 7 years to be liquidated.

The Premium Assistance investment assets have the following recurring fair value measurements as of June 30, 2021:

- PSERS Short-Term Investment Fund of \$84,064 consists of Level 1 values of \$70,970 and Level 2 values of \$13,094.
- Other domestic short-term investments of \$22,117 consists of Level 2 values.

The Health Options Program (HOP) investment assets have the following recurring fair value measurements as of June 30, 2021:

- PSERS Short-Term Investment Fund of \$95,343 consists of Level 1 values of \$80,492 and Level 2 values of \$14,851.
- Other domestic short-term investments of \$270,382 consists of Level 1 values.

The Defined Contribution Plan investment assets have the following recurring fair value measurement at June 30, 2021:

- PSERS Short-Term Investment Fund of \$6,081 consists of Level 1 values of \$5,134 and Level 2 values of \$947.
- Other domestic short-term investments of \$1,257 consists of Level 1 values.
- DC Collective trust funds investments (DC-CTF) of \$55,307 are valued at NAV. They consist primarily of domestic and international institutional funds. The fair value of DC-CTF is based on the reported share value of the respective fund. DC-CTF are managed by state chartered banks for which various state banking departments have regulatory oversight and investment advisors for which regulatory agencies such as the Securities and Exchange Commission have regulatory oversight. Investments that are not subject to this oversight are subject to annual independent audits. Redemption frequency for these assets range from monthly, to quarterly, to annual. The redemption notice period is 0-90 days.

Statutory Liquidator Fund

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

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

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

The Statutory Liquidator Fund has the following recurring fair value measurements as of June 30, 2021:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Debt Securities				
Corporate obligations	\$ 201,979	\$ 5,775	\$ 196,204	\$ —
U.S. Treasury obligations	128,918	81,317	47,601	—
Mortgage backed securities	32,544	552	31,992	—
Private placements	32,039	—	8,070	23,969
State and municipal obligations	8,155	—	8,155	—
U.S. government agencies	351	351	—	—
Asset backed securities	2,901	2,882	19	—
Sovereign debt	9,047	—	9,047	—
Alternative investments	11,991	3,476	8,515	—
Equity Securities				
Preferred securities	12,789	12,789	—	—
Other Securities				
Annuity	225	—	—	225
Treasury group investment ⁽¹⁾	41,341	—	41,341	—
Mutual Funds	103,977	6,151	24,293	73,533
Money market mutual funds	15,088	1,542	13,546	—
Total investments by fair value level	\$ 601,345	\$ 114,835	\$ 388,783	\$ 97,727

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

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

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

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

Deposit Risks

At June 30, 2021, the Commonwealth had no bank balances that were subject to custodial risk because they were uninsured and uncollateralized. Statutory Liquidator Fund had deposits of \$8,653 that were subject to custodial deposit risk because they were uninsured and uncollateralized. The PSERS, through its third party administrator, maintains certain bank deposits for the operation of its voluntary Health Options Program. These deposits are not required to be collateralized by statute or policy. These deposits totaled \$270,382 at June 30, 2021 and are under the custody of its bank which has an A rating by Standard and Poor's (S&P) and an Aa3 rating by Moody's Investors Service (Moody's).

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

Within the business-type activities cash with fiscal agent, the **Unemployment Compensation Fund** reported \$844,853 and within the governmental activities cash with fiscal agent, the **General Fund** and the Game Fund reported \$14,301 and \$6,306, respectively. The **Unemployment Compensation Fund's** cash with fiscal agent is held with the Federal Unemployment Insurance Trust Fund. The **General Fund's** cash with fiscal agent is held with the Federal Unemployment Insurance Trust Fund, and bank accounts for Pennsylvania's judicial courts. The Game Fund cash with fiscal agent represents escrow accounts held for the purposes of land acquisition. The Statutory Liquidator, a custodial fund, also reported \$11,541 cash with fiscal agent.

Restricted Cash

Restricted cash consists of funds held for the payment of debt service interest and principal payments by the Philadelphia Regional Port Authority (PRPA), a blended non-major component unit, all of which is collateralized. At June 30, 2021, the PRPA reported carrying amount of restricted cash and cash equivalents were \$317.

Investment Risks

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

Investments by Type

At June 30, 2021, the Treasury Department and other investing organizations, excluding Statutory Liquidator, Tuition Account Investment Program, the SERS, DCP and the PSERS, reported a total of \$33,859,704 in investments. Cash equivalents amounting to \$308,052, which are held in the CIP and other portfolios, are reported as investments but are not included as part of fixed income investment disclosures. Excluding cash equivalents, total investments disclosed amount to \$33,551,652; of this amount, excluding equities and alternative investments (\$2,728,543 and \$194,854, respectively), fixed income investments disclosed amount to \$30,628,255.

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

The investment types and related amounts are as follows:

Investment Type	Amount
Alternative Investments	\$ 194,854
Asset backed securities	11,910
Certificates of deposit	997,629
Commercial paper	11,481,947
Corporate obligations	1,733,211
Equity	2,728,543
Money market mutual funds	11,115,451
Mortgage-backed securities	1,093,325
Mutual funds	816,574
Preferred securities	17,772
Private placements	233,166
Securities lending collateral pool	342,055
Sovereign debt obligations	103,128
State and municipal obligations	17,196
U.S. government sponsored enterprises	920,520
U.S. Treasury obligations	1,744,371
Total investments	33,551,652
Cash equivalents	308,052
Total investments and cash equivalents	\$ 33,859,704

In addition, at June 30, 2021, all reported investments of the Tuition Account Investment Program, amounting to \$4,388,336 consist entirely of mutual funds, \$4,373,207, and money market mutual funds, \$15,129.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event a counterparty fails to uphold its agreement to a transaction, with either the Treasury Department, the other investing organizations or the pension trust funds, they would not be able to recover the value of investment or collateral securities in the possession of an outside party. In accordance with a contractual relationship between the Treasury Department and its custodial agents, substantially all investments, where securities are used as evidence of the investment, are held by the custodians in book entry form in the name of the Commonwealth or the custodian. Similarly, investments of the other investing organizations and the pension trust funds are almost always registered in the name of the Commonwealth, as the Treasury Department is the statutory custodian for such investments. The CFA reported at June 30, 2021, \$885,074 of deposits and disclosed that due to the nature of the cash and cash equivalents balances, there is no custodial credit risk. The Tuition Account Investment Program reported at June 30, 2021, \$546,829 of bank investment contracts that are not insured by the FDIC or otherwise covered by collateral or supplementary insurance. Also, at June 30, 2021, only the Statutory Liquidator Fund, a custodial fund, owned investment securities subject to custodial credit risk, in the amount of \$407,778. Such securities are neither insured nor registered and are either held by the counterparty or the counterparty's trust department or agent but not in the name of the Commonwealth. The investment types and related amounts are as follows:

Investment Type	Amount
Asset backed securities	\$ 2,901
Corporate obligations	201,979
Mortgage-backed securities	32,543
Private placements	32,039
Sovereign debts	9,047
U.S. government agencies	351
U.S. Treasury obligations	128,918
Total	\$ 407,778

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the government’s investment in a single issuer. The Treasury Department places a 10% limit on the concentration of investments in any one fixed income issuer within the CIP, **Tuition Payment** and INVEST Program. This limitation excludes government-sponsored enterprises (GSEs), direct obligations of the U.S. Treasury or U.S. government agencies, and repurchase agreements. The Treasury Department also places a 5% limit on the concentration of investments in one equity issuer within the CIP. Similarly, to a degree, the five other investing organizations limit exposure to concentration of credit risk. Several of the other investing organizations have adopted policies, which allow greater than 5% of portfolios to consist of securities issued by the U.S. Treasury. Among Treasury and other investing organizations, based on total portfolio value, the following concentrations existed as of June 30, 2021:

Issuer Name	Amount	% of Treasury and Other Investing Organizations Portfolio
U.S. Treasury	\$ 1,751,287	5.2%

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

Issuer Name	Amount	% of Statutory Liquidators Portfolio
PIMCO Funds	\$ 103,652	15.4%

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

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

At June 30, 2021, \$30,628,255 of total Treasury and other investing organization investments of \$33,859,704 are fixed income investments, susceptible to credit quality rating; the remainder is primarily equities \$2,728,543, alternative investments \$194,854, cash equivalents, and various deposit accounts of \$308,052. Of the Treasury amount susceptible to credit quality rating, \$29,152,821 is rated; ratings are not available for \$1,066,824 of fixed income investments:

Moody's Investors Service	Amount
P-1	\$ 3,559,988
Aaa	11,223,700
Aa	67,563
A	393,645
Baa	641,908
Ba	179,346
B	45,632
Caa	8,178
Ca	424
Moody's Investors Service subtotal	16,120,384
Standard and Poor's	
A-1	2,869,128
AAA	18,707
AA	3,496,056
A	383,080
BBB	246,564
BB	49,314
B	18,444
CCC	2,729
Standard and Poor's subtotal	7,084,022
Fitch Ratings	
F-1	5,047,196
AAA	2,218
AA	5,705
A	816,345
BBB	72,659
BB	3,402
B	452
CCC	438
Fitch Ratings subtotal	5,948,415
Rated subtotal	29,152,821
Unrated subtotal	1,066,824
Total fixed income investments	\$ 30,219,645

At June 30, 2021, 1.06% (\$308,359) of rated fixed income Treasury investments of \$29,152,821 are rated below investment grade. Approximately 3.53% (\$1,066,824) of the fixed income portfolio in Treasury and other investing organizations are not rated by the NRSRAs. Unrated Fixed Income Investments include securities that did not have a credit rating available from a NRSRA at June 30, 2021. Among the Tuition Account Investment Program’s mutual fund portfolios, certain mutual funds hold fixed income investments susceptible to credit quality ratings and all such investments are rated Aaa-mf by Moody’s or AAAM by S&P.

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

The pension trust funds may expose themselves to greater credit risk than the Treasury Department or other investing organizations to meet specific investment objectives. The SERS' Defined Contribution Plan is exposed to credit risk through investment in the Commonwealth Treasury Department's STIF, which is not rated. The plan had \$6,432 in STIF as of December 31, 2020. The plan also has indirect exposure to credit risk through the commingled fixed income funds, which had a cumulative balance of \$450 as of December 31, 2020. These funds hold investment grade securities. The SERS' Defined Benefit Plan fixed income securities (at December 31, 2020), which are exposed to credit risk, are rated as follows:

Moody's Investors Service ¹	Amount
Aaa	\$ 480,674
Aa	1,614,514
A	723,564
Baa	1,458,657
Ba and below	882,322
Unrated ²	81,732
Short-term investments	1,838,939
Total	\$ 7,080,402

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

The PSERS fixed income securities, which are subject to credit risk rating, are listed below using the rating (expressed as S&P equivalent), available from Fitch, Moody's, and/or S&P that indicates the greatest degree of risk at June 30, 2021:

Standard and Poor's Equivalent ¹	Amount
AAA	\$ 7,681,352
AA	716,912
A	172,808
BBB	283,592
BB and below	125,558
Unrated ²	4,405,935
U.S. government guaranteed ³	9,346,875
Total	\$ 22,733,032

1. The S&P rating represents all the securities that fall within subcategories of the ratings shown in this table. For example, a security with a rating of A+ is shown as a rating of A in this table.
2. 'Unrated' securities include \$2,351,042 in collective trust funds and \$205,340 in PSERS Short-Term Investment Fund assets.
3. Represents securities issued by the U.S. government and agency obligations explicitly guaranteed by the U.S. government and not considered to have credit risk.

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

The Statutory Liquidator Fund fixed income securities at June 30, 2021, which are exposed to credit risk, are rated as follows:

<u>Moody's Investors Service</u>	<u>Amount</u>
Aaa	\$ 56,125
Aa	6,048
A	20,407
Baa	38,283
Ba	4,746
B	351
Caa	39
Ca	4,425
P-1	43,999
Moody's Investors Service subtotal	174,423
 <u>Standard and Poor's</u>	
AAA	6,010
AA	71,492
A	22,976
BBB	26,654
BB	6,379
CCC	979
D	3,371
Standard and Poor's subtotal	137,861
 <u>Fitch Ratings</u>	
A	532
BBB	6,985
BB	2,903
B	1,089
Fitch Ratings subtotal	11,509
Rated subtotal	323,793
Unrated subtotal	350,457
Total fixed income investments	\$ 674,250

The \$674,250 exceeds the total of investments reported in the Statutory Liquidator Statement of Fiduciary Net Position as it also includes certain investments included within the cash with fiscal agents and other assets classifications.

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

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

At June 30, 2021, Treasury and other investing organizations' fixed income portfolio, excluding Statutory Liquidator Fund and Tuition Account Investment Program, had the following option-adjusted durations (in years) by investment type:

Investment Type	Amount of Securities with Duration	Option-Adjusted Duration	Amount of Securities with no Duration	Total
Asset backed securities	\$ 8,682	1.958	\$ 3,228	\$ 11,910
Certificates of deposit	997,629	0.187	—	997,629
Commercial paper	11,232,907	0.189	249,040	11,481,947
Corporate obligations	1,732,338	7.066	873	1,733,211
Money market	11,097,447	0.080	18,004	11,115,451
Mortgage-backed securities	1,092,792	4.419	533	1,093,325
Mutual funds	—	—	407,964	407,964
Preferred securities	14,419	6.691	3,353	17,772
Private placements	229,708	4.874	3,458	233,166
Securities lending collateral pool	342,055	0.083	—	342,055
Sovereign debt obligations	103,128	4.334	—	103,128
State and municipal obligations	17,196	10.510	—	17,196
U.S. government sponsored enterprises	920,520	0.318	—	920,520
U.S. Treasury obligations	1,744,371	6.379	—	1,744,371
Total	\$ 29,533,192		\$ 686,453	\$ 30,219,645

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

Investment Type	No Maturity Date	Matures in less than 1 Year	Matures in 1 to 5 Years	Matures in 6 to 10 Years	Matures in 11 to 20 Years	Matures in 21 to 30 Years	Matures in 31 to 40 Years	Matures after 40 Years	Total
Alternative investments	\$ 2,078	\$ —	\$ 6,671	\$ 1,155	\$ 493	\$ 1,595	\$ —	\$ —	\$ 11,992
Annuity	225	—	—	—	—	—	—	—	225
Asset backed securities	—	105	2,729	67	—	—	—	—	2,901
Cash & equivalents	31,717	—	—	—	—	—	—	—	31,717
Commonwealth investment program	41,341	—	—	—	—	—	—	—	41,341
Corporate obligations	36,164	25,068	99,087	29,850	5,766	4,500	804	741	201,980
Money markets	56,276	—	—	—	—	—	—	—	56,276
Mortgage-backed securities	—	2	494	11,516	7,553	11,239	1,740	—	32,544
Mutual funds	103,976	—	—	—	—	—	—	—	103,976
Preferred securities	3,870	—	4,070	—	3,212	—	1,636	—	12,788
Private placements	23,969	38	3,696	—	3,042	333	704	258	32,040
Sovereign debts	—	1,132	6,399	234	599	294	—	388	9,046
State and municipal obligations	—	—	588	2,608	3,650	1,087	222	—	8,155
U.S. government agencies	—	351	—	—	—	—	—	—	351
U.S. Treasury obligations	—	81,853	38,148	8,148	196	573	—	—	128,918
Total	\$ 299,616	\$ 108,549	\$ 161,882	\$ 53,578	\$ 24,511	\$ 19,621	\$ 5,106	\$ 1,387	\$ 674,250

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

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

	Amount	Average Duration	Average Effective Maturity
Vanguard Total Bond Market II Index Fund Institutional Shares	\$ 809,607	6.8 years	8.6 years
Vanguard Total Bond Market Index Fund Institutional Shares	30,245	6.8 years	8.6 years
Vanguard Short-Term Inflation-Protected Securities Index Fund Institutional Shares	50,871	2.7 years	2.7 years
Vanguard Total International Bond Index Fund Institutional Shares	349,053	8.4 years	9.7 years
Vanguard Federal Money Market Fund	15,129	N/A	39 days

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

SERS' Defined Benefit Plan Investment Type	Amount	Option-Adjusted Duration
Asset and mortgage backed securities	\$ 1,895,050	2.90
Commingled investments funds	349,692	3.00
Corporate obligations	2,115,632	8.10
Sovereign debt obligations	339,579	8.90
Short-term investments	436,741	n/a
Treasury investment pool	1,402,198	0.10
U.S. Treasury obligations	4,460,194	8.40
U.S. government sponsored enterprises	102,230	4.40
U.S. private placements	631,220	5.30
Total	\$ 11,732,536	

The SERS' Defined Contribution Plan is exposed to interest rate risk through investment in the Commonwealth Treasury Department's STIF, which had a duration of approximately one month at December 31, 2020. The plan had \$6,432 in STIF as of December 31, 2020. The plan also has indirect exposure to interest rate risk through commingled fixed income funds, which have an average duration of approximately 6 years at December 31, 2020. The cumulative balance of these funds was \$450 as of December 31, 2020.

DCP Investment Type	Amount	Option-Adjusted Duration
Commingled investment funds	\$ 225,237	6.20
Treasury investment pool	84,506	0.10
Total	\$ 309,743	

PSERS Investment Type	Amount	Option-Adjusted Duration
Domestic asset-backed and mortgage-backed securities	\$ 3,973,149	1.30
U.S. government and agency obligations	5,883,323	14.00
Domestic corporate and taxable municipal bonds	781,618	3.30
International fixed income	264,200	2.60
Collective trust funds	2,351,042	3.60
PSERS Short-Term Investment Fund	8,733,986	0.10
Other Short-term assets	745,714	0.10
Total	\$ 22,733,032	

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

Fixed income investment managers enter into futures contracts to adjust the durations of their portfolios as a whole. In total, futures contracts have adjusted the PSERS' total portfolio duration upward by 0.1 at June 30, 2021.

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

Foreign Currency	Equities	Preferred Securities	Total
Australian dollar	\$ 16,335	\$ —	\$ 16,335
British pound sterling	30,370	—	30,370
Canadian dollar	24,661	—	24,661
Colombian peso	114	33	147
Danish krone	9,214	—	9,214
Euro currency unit	75,097	1,360	76,457
Hong Kong dollar	40,116	—	40,116
Hungarian forint	174	—	174
Indonesian rupiah	1,587	—	1,587
Israeli shekel	1,722	—	1,722
Japanese yen	76,710	—	76,710
Malaysian ringgit	2,748	—	2,748
Mexican peso	2,082	—	2,082
New Zealand dollar	1,598	—	1,598
Norwegian krone	645	—	645
Philippines peso	1,941	—	1,941
Singapore dollar	6,357	—	6,357
South African rand	3,854	—	3,854
Swedish krona	8,826	—	8,826
Swiss franc	39,116	—	39,116
Thailand baht	1,690	—	1,690
Turkish lira	120	—	120
Total	\$ 345,077	\$ 1,393	\$ 346,470

Within the Tuition Account Investment Program, equities of \$1,142,616 are exposed to foreign currency risk.

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

Each pension trust fund is exposed to foreign currency risk as part of meeting specific investing objectives or allocations among different classes of investments. The SERS' Defined Contribution Plan has indirect foreign currency exposure through target date funds and the Global Non-U.S. Stock Index Fund, which is classified as a commingled public equity fund. Target date funds are diversified across global asset classes, with allocations changing over the funds' investment horizon. The funds include varying degrees of international equity and fixed income as part of their allocations. The Global Non-U.S. Stock Index Fund tracks the performance of the MSCI All Country World Index (ACWI) ex-U.S. index, which is made up of non-U.S. stocks from 22 developed markets and 27 emerging markets. The SERS' Defined Benefit Plan is exposed to foreign currency risk primarily for equity securities at December 31, 2020 as follows:

Foreign Currency	Short-Term Investments ¹	Fixed Income	Common & Preferred Stocks	Other Investments	Real Estate	Private Equity	Total
European euro	\$ 6,742	\$ 24,334	\$ 118,669	\$ 1,399	\$ 325,018	\$ 365,279	\$ 841,441
British pound sterling ..	455	39,713	68,106	32,510	—	—	140,784
Swedish krona	84	—	6,370	1,391	—	103,553	111,398
Japanese yen	487	—	64,624	4,087	—	—	69,198
Swiss franc	5,870	—	52,846	(2,546)	—	—	56,170
South Korean won	728	—	33,800	12,939	—	—	47,467
Mexican peso	136	26,342	10,462	3,251	405	—	40,596
Canadian dollar	202	4,583	29,266	5,234	—	—	39,285
Australian dollar	350	16,742	29,362	(7,350)	—	—	39,104
Hong Kong dollar	54	—	34,683	—	—	—	34,737
New Taiwan dollar	352	—	30,557	—	—	—	30,909
Danish krone	1,542	—	19,039	298	—	—	20,879
Norwegian krone	350	695	6,246	7,555	—	—	14,846
Brazilian real	1,346	6,798	—	3,443	—	—	11,587
Indonesian rupiah	160	7,466	3,744	—	—	—	11,370
Chilean peso	—	—	—	11,174	—	—	11,174
Colombian peso	235	9,424	—	1,387	—	—	11,046
Russian ruble	(670)	2,458	—	9,038	—	—	10,826
Hungarian forint	—	—	1,268	8,231	—	—	9,499
Malaysian ringgit	79	9,156	—	—	—	—	9,235
Polish zloty	150	2,538	1,721	4,606	—	—	9,015
Czech koruna	5	—	—	8,536	—	—	8,541
Other currencies (8)	1,250	9,365	16,010	(1,330)	—	—	25,295
Total	\$ 19,907	\$ 159,614	\$ 526,773	\$ 103,853	\$ 325,423	\$ 468,832	\$ 1,604,402

1. Includes receivables and payables as of December 31, 2020 for securities sold and purchased.

One of several investing choices that may be selected by the DCP participants is the International Company Stock Index Fund, which is a commingled investment fund that invests in international stocks in the European, Australian, and Far East Markets and is managed by an external manager. The fund within the DCP seeks to track the more than 1,000 foreign stocks representing established companies in 21 countries located in Western Europe and the Pacific Rim. Since the International Company Stock Index Fund is a commingled investment fund, the DCP is indirectly exposed to foreign currency risk through those underlying securities.

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

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

Foreign Currency	Equities	Fixed income	Alternative Investments and Real Estate	Short-term ¹	Currency Hedge	Total
Euro	\$ 1,448,747	\$ 7,121	\$ 1,445,636	\$ 13,735	\$ (1,785,403)	\$ 1,129,836
British pound sterling	879,659	—	345,573	4,331	(423,288)	806,275
Japanese yen	1,159,064	10,306	27,258	7,681	(589,265)	615,044
Taiwan new dollar	307,935	—	—	1,763	—	309,698
Indian rupee	227,084	—	—	3,274	—	230,358
South Korean won	171,849	—	—	472	426	172,747
Hong Kong dollar	370,175	—	—	(1,738)	(209,740)	158,697
Danish krone	173,959	—	—	4,025	(28,670)	149,314
Swedish krona	209,181	—	—	355	(89,765)	119,771
Other currencies	1,532,182	89,793	7,430	25,019	(1,377,550)	276,874
Total	\$ 6,479,835	\$ 107,220	\$ 1,825,897	\$ 58,917	\$ (4,503,255)	\$ 3,968,614

1. Includes investment receivables and payables.

Securities Lending Program

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

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

To the extent collateral received consists of cash, the lending agent invests the cash in accordance with reinvestment guidelines approved by the Treasury Department. At June 30, 2021, 100% of the collateral was invested in overnight U.S. Government repurchase agreements. Either the lender or the borrower may terminate the loan on demand. Loans are typically of very short duration, usually overnight. The duration of lending agreements do not match the maturities of the investments made with the cash collateral. The resulting rate risk is mitigated by the lending agent’s ability to reallocate loans among program participants.

The program requires that the lending agent indemnify the Treasury Department for all claims, liabilities and costs resulting from the lending agent’s negligence or intentional misconduct. During the fiscal year ended June 30, 2021, there were no failures by any borrower to return securities lent or pay distributions thereon. Also, there were no losses resulting from a lending agent or borrower default and there were no Treasury Department restrictions on the amount of the loans that could be made.

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

At June 30, 2021, the total fair value of the securities lent, along with the type of investments lent, were as follows:

Fund/Organization	Total Securities Lent	U.S. Treasury Obligations	U.S. Government Sponsored Enterprises	Corporate Obligations	Equities	Sovereign Debt	Exchange Traded
State Employees' Retirement System	\$ 681,681	\$ 228,078	\$ 18,221	\$ 27,787	\$ 407,037	\$ 558	\$ —
Public School Employees' Retirement System	91	—	—	—	91	—	—
Underground Storage Tank Indemnification Fund	23,308	6,764	—	1,631	—	—	14,913
Workers' Compensation Security Trust Fund	31,967	10,527	—	5,253	—	—	16,187
State Workers' Insurance Fund	13,722	4,333	—	9,389	—	—	—
Other Postemployment Benefits Investment Pool	142,569	131,422	—	—	—	—	11,147
Commonwealth Investment Program	53,446	28,097	8,838	11,801	3,678	—	1,032
Tuition Payment Fund	41,710	20,465	2,631	7,733	6,559	—	4,322

Public School Employees' Retirement System (PSERS)

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

The PSERS minimizes its credit risk exposure by requiring borrowers to provide collateralization in excess of 100% of the fair value of the securities loaned. Under the securities lending program, the lending agent provides indemnification to the System if a borrower fails to return borrowed securities (and the collateral is inadequate to replace the loaned securities) or fails to pay income distributions on them. The lending agent also provides indemnification to the System if investment of cash collateral results in investment loss. There were no losses during the fiscal years ended June 30, 2021 resulting from a default of the borrowers or the lending agent. All securities loans can be terminated on demand by either the PSERS or the borrower, although the average term of the loan is one day. There were no term loans as of June 30, 2021.

Cash collateral is invested in a short-term collateral investment pool that is managed by the lending agent, is segregated from all other clients of the lending agent, and is not subject to custodial credit risk. The PSERS' income from securities lending represents the earnings from the cash collateral provided by the borrower less a fee paid to the third party agent minus a negotiated rebate of a portion of the earnings on the cash collateral. The weighted-average maturity of the investments in the pool was one day at June 30, 2021. During the fiscal years ended June 30, 2021, the mismatch between the maturities of the investments made with cash collateral and the maturities of the securities loans may have posed some interest rate risk to the System. In the event of a default, the lending agent may use the collateral to replace the loaned securities. As of June 30, 2021, the fair value of loaned securities was \$7,734,304. The fair value of the associated collateral was \$7,862,287, all of which was cash.

Derivative and Other Similar Investments

State Employees' Retirement System (SERS)

Within narrowly prescribed guidelines, the SERS Defined Benefit Plan and Defined Contribution Plan permit investment managers to directly enter into certain derivative and structured financial instruments primarily to hedge risk and reduce the volatility of its portfolio. Typically, investment managers enter into foreign exchange contracts to make payment for international investments and to hedge currency risk, futures contracts to manage interest rate risk, forward settling

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

mortgage instruments for liquidity as well as to gain mortgage exposure, and swaps to more efficiently gain investment exposure in the equity and credit markets.

The SERS indirectly holds derivatives and financial instruments through commingled fund structures in the Defined Benefit Plan and the Defined Contribution Plan. At a fund level, these managers hold foreign exchange contracts, futures contracts, and certain swap contracts. These funds invest in instruments directly and indirectly to gain foreign exchange exposure and to manage interest rate risk by altering the average life of the portfolio. Derivatives are viewed within the context of the fund's total portfolio and are consistent with the funds' overall strategy.

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

The SERS invests in mortgage-backed securities (MBS) in the form of specified pools to maximize yields. These securities are sensitive to prepayments of mortgages, which may result from a drop in interest rates. The system also uses MBS forwards, which are forward-settling mortgage instruments that are used for liquidity as well as a low-cost, efficient way to gain mortgage exposure. The MBS forwards are subject to credit risk in the event of nonperformance by counterparties. The fair value of MBS forwards are \$637,000 as of December 31, 2020. These investments are included in fixed income in the Statement of Fiduciary Net Position.

Foreign exchange contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. The investment manager uses these contracts primarily for its international investments to settle pending trades that occur more than two business days after trade date. The contracts are used by the investment manager for the purpose of eliminating foreign exchange risk. As a matter of policy, the investment managers enter into these contracts at their full discretion to protect currency fluctuations. To reduce the risk of counterparty nonperformance, the investment managers generally enter into these contracts with institutions regarded as meeting high standards of creditworthiness. The unrealized gain/loss on contracts is included in the net position and represents the fair value of the contracts on December 31. At December 31, 2020, the SERS Defined Benefit had contracts to purchase and sell, by major foreign currency, as follows:

Foreign Currency	Purchases	Unrealized Gain/ (Loss)	Sales	Unrealized Gain/ (Loss)
Japanese yen	\$ 33,250	\$ 468	\$ 29,164	\$ (318)
British pound sterling	32,710	860	200	—
European Euro	19,636	617	18,237	(525)
South Korean won	12,939	406	—	—
Chilean peso	11,174	991	—	—
Polish zloty	9,121	90	4,515	(246)
Russian ruble	9,038	299	—	—
Czech koruna	8,536	504	—	—
Hungarian forint	8,231	220	—	—
Norwegian krone	7,555	191	—	—
Canadian dollar	6,728	23	1,493	(37)
Indian rupee	6,456	120	—	—
Brazilian real	3,924	227	481	6
Mexican peso	3,251	235	—	—
Swedish krona	1,462	39	71	—
Colombian peso	1,387	87	—	—
Australian dollar	722	26	8,072	(427)
Turkish lira	396	27	—	—
Danish krone	298	9	—	—
South African rand	—	—	7,532	(431)
Swiss franc	—	—	2,546	(8)
New Zealand dollar	—	—	650	(25)
Total	\$ 176,814	\$ 5,439	\$ 72,961	\$ (2,011)

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

Swap agreements provide for periodic payments between parties based on the change in value of underlying assets, indexes, rates, and credit worthiness. The SERS' managers use contracts with multiple counterparties as well as collateral posting requirements to manage its counterparty credit risk. Credit default swaps are agreements with counterparties to either purchase or sell credit protection. The SERS' managers use credit default swaps to either increase or decrease credit exposure to certain credit markets. Interest rate swaps are over-the-counter contracts that allow counterparties to exchange a fixed rate liability for a floating rate liability or vice versa. The SERS' managers use interest rate swaps as a cost-effective way of gaining exposure to certain sectors of the fixed income market. The SERS' direct exposure to swap agreements was not significant at December 31, 2020.

Futures are standardized contracts traded on an exchange. Contract details include the price and quantity of a specific asset to be transacted by either the buyer or the seller on a set date. Futures are subject to certain risks which include liquidity, interest rate, market, and credit risks. Futures are used by SERS' managers to gain desired exposures or hedge certain risks within the portfolio. SERS' managers do not use futures for the purpose of speculation. The SERS' exposure to futures was not significant at December 31, 2020.

Deferred Compensation Program (DCP)

The DCP, through investments in commingled investment funds managed by Mellon and BlackRock, indirectly hold certain derivative financial instruments. A derivative is a risk shifting agreement, the value of which is derived from the value of an underlying asset. The underlying asset could be a physical commodity, an interest rate, a company's stock, a stock index, a currency, or virtually any other tradable instrument upon which two parties can agree. The derivatives most commonly used by BlackRock and Mellon include currency forwards, futures, options, and swaps. BlackRock and Mellon may take long or short positions in derivative instruments for various purposes. The DCP exposure to these instruments was not significant as of December 31, 2020.

The commingled investment funds that the DCP is invested in currently utilize stock index futures, currency forwards, futures, swaps and forward contracts. These instruments are used in the investment management of the commingled funds to the extent that their use is consistent with the specific commingled fund's objective. Derivatives are viewed within the context of the commingled fund's total portfolio. BlackRock and Mellon have instituted policies and procedures designed to ensure that derivative transactions are in keeping with the overall strategy and that such transactions are properly reviewed and monitored.

BlackRock and Mellon may take long or short positions in derivative instruments for, but not limited to, the following purposes: to create or hedge required exposure; to create or hedge model driven recommended exposure; as an adjustment to asset exposures within the parameters set in the commingled fund's investment instructions and guidelines; to achieve transactional efficiency; to adjust the duration of a fixed income portfolio; if applicable, to achieve the appropriate degree of leverage, as stated in the commingled fund's investment instructions and guidelines; and to facilitate meeting the commingled fund's objectives.

Public School Employees' Retirement System (PSERS)

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

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

The following table summarizes the aggregate notional or contractual amounts for the PSERS’ derivative financial instruments at June 30, 2021:

<u>Type of Derivative</u>	<u>Notional Value</u>
Futures contracts - long	\$ 903,317
Futures contracts - short	37,271
Foreign exchange forward and spot contracts, gross	4,656,474
Options - puts purchased	4,880,200
Swaps - total return type	15,432,197

Futures contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specific financial instrument at a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that a counterparty will not pay and generally requires margin payments to minimize such risk. In addition, the PSERS enters into short sales, sales of securities it does not presently own, to neutralize the market risk of certain equity positions. Initial margin requirements on futures contracts and collateral for short sales are provided by investment securities pledged as collateral and by cash held by various brokers. Although the PSERS has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed. The value of securities pledged and the amount of cash held at June 30, 2021 represent a restriction on the amount of assets available as of fiscal year-end for other purposes.

Option contracts provide the option purchaser with the right, but not the obligation, to buy or sell the underlying security at a set price during a period or at a specified date. The option writer is obligated to buy or sell the underlying security if the option purchaser chooses to exercise the option. The PSERS generally uses exchange listed currency, index, stock, and futures options. In FY 2021, the PSERS purchased over-the-counter put options on the S&P 500 Index. The fair value of these option contracts is \$5,693 at June 30, 2021.

Foreign exchange contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. To reduce the risk of counterparty non-performance, the investment managers generally enter into these contracts with institutions regarded as meeting high standards of credit worthiness. The contracts primarily include forwards. The \$4,656,474 of foreign currency contracts outstanding at June 30, 2021 consist of “buy” contracts, which represent the U.S. dollar equivalents of commitments to purchase foreign currencies of \$76,819 and “sell” contracts, which represent U.S. dollar equivalents of commitments to sell foreign currencies of \$4,579,655. The unrealized gain on contracts of \$45,319 at June 30, 2021 represents the fair value of the contracts.

Swap agreements provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes, or interest rates. During the year ended June 30, 2021, the PSERS entered into total return type swaps. Under the total return type swap arrangements, the System receives the net return of certain securities or indexes in exchange for a short term rate minus a spread or a predetermined fixed charge. The payable on the total return type swap contracts of \$(65,756) at June 30, 2021 represents the fair value of the contracts. The contracts have varying maturity dates ranging from July 30, 2021 to July 5, 2022.

The PSERS also invests in mortgage-backed securities (MBS) such as CMOs and MBS forwards to maximize yields. These securities are sensitive to prepayments of mortgages, which may result from a drop in interest rates. The MBS forwards are subject to credit risk in the event of nonperformance by counterparties. The fair value of CMOs at June 30, 2021 is \$172,285.

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

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

NOTE 3 - RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES

Taxes Receivable: Taxes receivable, by tax type, reported on the statement of net position at June 30, 2021 consisted of the following:

	Statement of Net Position		
	Governmental Activities		
	Current	Noncurrent	Total
Sales and use	\$ 880,814	\$ 329,785	\$ 1,210,599
Personal income	650,015	578,536	1,228,551
Corporation	370,402	675,019	1,045,421
Liquid fuels	301,600	—	301,600
Inheritance	437,059	130,921	567,980
Cigarette	60,251	—	60,251
Other	45,001	—	45,001
Total	<u>\$ 2,745,142</u>	<u>\$ 1,714,261</u>	<u>\$ 4,459,403</u>

Taxes receivable reported on the governmental funds balance sheet and the statement of fiduciary net position at June 30, 2021 consisted of the following:

	Balance Sheet-Governmental Funds				Statement of Fiduciary Net Position		
	General Fund				Motor License Fund	Nonmajor Governmental Funds	Fiduciary Funds
	Expected to be Collected:				Collected by	Collected by	Collected by
	From				August 31, 2021	August 31, 2021	August 31, 2021
	By	through	After	Total	August 31, 2021	August 31, 2021	August 31, 2021
	August 31, 2021	June 30, 2022	June 30, 2022				
Sales and use	\$ 816,064	\$ 64,750	\$ 329,785	\$ 1,210,599	\$ —	\$ —	\$ 53,572
Personal income	294,784	355,231	578,536	1,228,551	—	—	—
Corporation	102,048	268,354	675,019	1,045,421	—	—	—
Liquid fuels	—	—	—	—	301,600	—	—
Inheritance	110,228	326,831	130,921	567,980	—	—	—
Cigarette	60,251	—	—	60,251	—	—	28,253
Other	7,997	—	—	7,997	—	37,004	—
Total	<u>\$ 1,391,372</u>	<u>\$ 1,015,166</u>	<u>\$ 1,714,261</u>	<u>\$ 4,120,799</u>	<u>\$ 301,600</u>	<u>\$ 37,004</u>	<u>\$ 81,825</u>

On the governmental funds balance sheet, the **General Fund** taxes receivable of \$2,729,427 expected to be collected after August 31, 2021 is reported as deferred inflows of resources. The total amount of taxes receivable reported on the governmental funds balance sheet, \$2,745,142 (\$2,406,538 reported in the **General Fund**, \$301,600 reported in the **Motor License Fund**, and \$37,004 reported in nonmajor governmental funds), expected to be collected from July 1, 2021 through June 30, 2022 is also reported as current taxes receivable in governmental activities on the statement of net position. The remaining **General Fund** taxes receivable of \$1,714,261 reported on the governmental funds balance sheet expected to be collected after June 30, 2022 is reported as noncurrent taxes receivable in governmental activities on the statement of net position. All of the revenue associated with the taxes receivable reported in governmental activities on the statement of net position is reported as tax revenue in governmental activities on the statement of activities.

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

Loans Receivable: Loans receivable at June 30, 2021 consisted of the following:

	Governmental Activities		Business-Type Activities	
	General Fund		Commonwealth Financing Authority	Nonmajor Enterprise Funds
Economic development loans	\$ 34,678	\$ 334,502	\$ 104,465	
Volunteer fire, ambulance and rescue company loans	—	—	72,708	
Environmental program loans	3,342	—	—	
School district loans	17,965	—	—	
Other notes and loans	110	—	—	
	<u>56,095</u>	<u>334,502</u>	<u>177,173</u>	
Less: allowance for uncollectible amounts	(3,431)	(40,566)	(6,480)	
Loans receivable, net	<u>\$ 52,664</u>	<u>\$ 293,936</u>	<u>\$ 170,693</u>	

The **General Fund** reported \$36,070 in loans due after June 30, 2022, the **Commonwealth Financing Authority** (a blended component unit) reported \$273,826 in loans due after June 30, 2022, and nonmajor enterprise funds reported \$147,489 in loans due after June 30, 2022.

Uncollectible Receivables: On the statement of revenues, expenses, and changes in net position-proprietary funds, the **State Workers' Insurance Fund** reports sales and services net of \$17,696 in uncollectible amounts.

Lease Receivables:

	Governmental Activities		Business-Type Activities		Total
	Current	Noncurrent	Current	Noncurrent	
Leases receivable:					
Land	\$ 334	\$ 2,283	\$ 99	\$ 3,945	\$ 6,661
Buildings and building improvements	153	1,005	11,967	123,956	137,081
Equipment	—	—	765	911	1,676
Total	<u>\$ 487</u>	<u>\$ 3,288</u>	<u>\$ 12,831</u>	<u>\$ 128,812</u>	<u>\$ 145,418</u>

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

For the fiscal year ended June 30, 2021, the statement of activities includes lease revenue and interest of \$530 and \$70, respectively, for governmental activities, and \$12,583 and \$6,274 for business-type activities. There was no additional revenue for variable and other payments not included in the measurement of the lease receivable.

Governmental Funds Unearned Revenue: The **General Fund**, the **Motor License Fund**, and several nonmajor special revenue and debt service funds reported unearned revenue. The following chart provides the portion of total receipts which have not yet been earned as revenue as of June 30, 2021:

	General Fund	Motor License Fund	Nonmajor Funds	Total Governmental Funds
Unearned revenue	\$ 7,325,061	\$ 41,418	\$ 54,020	\$ 7,420,499

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

Deferred Outflows of Resources and Deferred Inflows of Resources: On the statement of net position, governmental activities and business-type activities reported both deferred outflows of resources and deferred inflows of resources at June 30, 2021. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively at June 30, 2021:

	Total Governmental Activities	Total Business-Type Activities
Deferred Outflows of Resources		
Refundings of debt	\$ 46,014	\$ 1,471
Asset retirement obligations	160,239	—
Pension related:		
Contributions subsequent to measurement date	918,492	35,868
Differences between expected and actual experience	138,772	6,005
Net difference between projected and actual earnings on plan investments	13,322	—
Changes of assumptions	1,634,140	71,130
Changes in proportion	507,751	22,576
Differences between employer contributions and proportionate share	25,392	1,212
Other postemployment benefits related:		
Contributions subsequent to measurement date	581,446	26,224
Differences between expected and actual experience	9,405	591
Net difference between projected and actual earnings on plan investments	4,009	244
Changes of assumptions	2,792,760	92,193
Changes in proportion	739,129	57,496
Differences between employer contributions and proportionate share	—	1,008
Total deferred outflows of resources	\$ 7,570,871	\$ 316,018
Deferred Inflows of Resources		
Refundings of debt	\$ 127,867	\$ 14,213
Leases right-to-use	4,012	138,972
Pension related:		
Differences between expected and actual experience	23,747	719
Net difference between projected and actual earnings on plan investments	1,880,290	81,842
Changes in proportion	322,102	17,912
Differences between employer contributions and proportionate share	24,688	1,106
Other postemployment benefits related:		
Differences between expected and actual experience	5,997,970	330,250
Changes of assumptions	1,274,339	54,202
Changes in proportion	792,197	55,988
Differences between employer contributions and proportionate share	1	526
Total deferred inflows of resources	\$ 10,447,213	\$ 695,730

On the balance sheet for governmental funds, the **General Fund**, the **Motor License Fund** and several nonmajor special revenue funds reported deferred inflows of resources related to future reporting periods. The following chart provides, per receivable, the unavailable revenue expected to be collected after August 31, 2021, as well as the portion of the lease receivable expected payments related to future periods:

	General Fund	Nonmajor Funds	Total Governmental Funds
Deferred Inflows of Resources			
Unavailable revenue:			
Expected to be collected after August 31, 2021:			
Taxes receivable	\$ 2,729,427	\$ —	\$ 2,729,427
Accounts receivable	512,106	174,739	686,845
Due from Federal Government	245,126	—	245,126
Total unavailable revenue	3,486,659	174,739	3,661,398
Leases right-to-use	3,887	125	4,012
Total deferred inflows of resources	\$ 3,490,546	\$ 174,864	\$ 3,665,410

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

On the statement of net position-proprietary funds, the **Unemployment Compensation Fund**, the **State Workers' Insurance Fund**, the **State Lottery Fund**, the **State Stores Fund**, the **Commonwealth Financing Authority**, (a blended component unit), each respectively a major fund, various nonmajor proprietary funds and the internal service funds reported deferred outflows of resources and deferred inflows of resources at June 30, 2021. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively, at June 30, 2021:

	State				Commonwealth	Nonmajor	Total	Internal
	Unemployment	Workers'	State	State	Financing	Funds	Proprietary	Service
	Compensation	Insurance	Lottery	Stores	Authority		Funds	Funds
<u>Deferred Outflows of Resources</u>	Fund	Fund	Fund					
Refundings of debt	\$ —	\$ —	\$ —	\$ —	\$ 1,471	\$ —	\$ 1,471	\$ —
Pension related:								
Contributions subsequent to measurement date	167	—	3,611	29,830	—	2,260	35,868	3,419
Differences between expected and actual experience	26	320	560	4,752	—	347	6,005	530
Changes of assumptions	307	3,793	6,630	56,279	—	4,121	71,130	6,278
Changes in proportion	94	1,168	2,042	17,330	—	1,942	22,576	1,933
Differences between employer contributions and proportionate share	5	59	103	874	—	171	1,212	98
Other postemployment benefits related:								
Contributions subsequent to measurement date	138	1,256	2,368	21,230	—	1,232	26,224	1,750
Differences between expected and actual experience	5	31	52	475	—	28	591	39
Net difference between projected and actual earnings on plan investments	2	13	21	196	—	12	244	16
Changes of assumptions	679	4,689	7,878	74,715	—	4,232	92,193	5,909
Changes in proportion	25,096	—	2,444	29,010	—	946	57,496	1,927
Differences between employer contributions and proportionate share	—	—	—	—	—	1,008	1,008	—
Total deferred outflows of resources	\$ 26,519	\$ 11,329	\$ 25,709	\$ 234,691	\$ 1,471	\$ 16,299	\$ 316,018	\$ 21,899
<u>Deferred Inflows of Resources</u>								
Refundings of debt	\$ —	\$ —	\$ —	\$ —	\$ 14,213	\$ —	\$ 14,213	\$ —
Leases right-to-use	—	—	—	—	—	138,972	138,972	—
Pension related:								
Differences between expected and actual experience	4	38	67	568	—	42	719	63
Net difference between projected and actual earnings on plan investments	353	4,364	7,629	64,756	—	4,740	81,842	7,223
Changes in proportion	60	748	1,307	11,092	—	4,705	17,912	1,238
Differences between employer contributions and proportionate share	5	57	100	845	—	99	1,106	95
Other postemployment benefits related:								
Differences between expected and actual experience	2,512	17,340	29,135	265,612	—	15,651	330,250	21,853
Changes of assumptions	406	2,801	4,705	43,762	—	2,528	54,202	3,530
Changes in proportion	31,108	7,949	3,100	2,504	—	11,327	55,988	1,458
Differences between employer contributions and proportionate share	—	—	—	—	—	526	526	—
Total deferred inflows of resources	\$ 34,448	\$ 33,297	\$ 46,043	\$ 389,139	\$ 14,213	\$ 178,590	\$ 695,730	\$ 35,460

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

On the statement of fiduciary net position, the pension (and other employee benefit) trust funds reported deferred outflows of resources and deferred inflows of resources at June 30, 2021. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively, at June 30, 2021:

<u>Deferred Outflows of Resources</u>	<u>Pension (and Other Employee Benefit) Trust Funds</u>	
Pension related:		
Contributions subsequent to measurement date	\$	4,042
Differences between expected and actual experience		727
Changes of assumptions		8,615
Changes in proportion		9,593
Other postemployment benefits related:		
Contributions subsequent to measurement date		2,522
Differences between expected and actual experience		69
Net difference between projected and actual earnings on plan investments		29
Changes of assumptions		10,401
Changes in proportion		4,629
Differences between employer contributions and proportionate share		3,723
Total deferred outflows of resources	\$	44,350
<u>Deferred Inflows of Resources</u>		
Pension related:		
Differences between expected and actual experience	\$	87
Net difference between projected and actual earnings on plan investments		9,913
Differences between employer contributions and proportionate share		225
Other postemployment benefits related:		
Differences between expected and actual experience		38,468
Changes of assumptions		6,214
Differences between employer contributions and proportionate share		820
Total deferred inflows of resources	\$	55,727

NOTE 4 - CAPITAL ASSETS

Changes in governmental activities capital assets for the fiscal year ended June 30, 2021 are as follows:

	Balance June 30, 2020 (Restated) ⁽¹⁾	Increases	Decreases	Balance June 30, 2021
Non-depreciable capital assets:				
Land	\$ 672,639	\$ 17,495	\$ 89	\$ 690,045
Highway right-of-way	2,609,761	72,490	—	2,682,251
General construction in progress	432,610	290,687	132,740	590,557
Transportation construction in progress	4,142,534	2,715,937	2,472,463	4,386,008
Subtotal	<u>7,857,544</u>	<u>3,096,609</u>	<u>2,605,292</u>	<u>8,348,861</u>
Depreciable and amortizable capital assets:				
Land improvements	1,134,570	37,819	—	1,172,389
Buildings and building improvements	8,984,504	179,208	4,631	9,159,081
Machinery and equipment	1,890,265	110,867	26,644	1,974,488
Highway infrastructure	35,136,656	1,503,382	—	36,640,038
Bridge infrastructure	17,910,500	786,345	548	18,696,297
Waterway infrastructure	35,326	479	—	35,805
Infrastructure-other	258,803	6,484	—	265,287
Software	1,018,268	93,686	2,594	1,109,360
Other intangibles	200	—	—	200
Subtotal	<u>66,369,092</u>	<u>2,718,270</u>	<u>34,417</u>	<u>69,052,945</u>
Less accumulated depreciation and amortization for:				
Land improvements	514,560	34,077	—	548,637
Buildings and building improvements	3,821,428	200,890	3,697	4,018,621
Machinery and equipment	1,332,591	128,362	25,683	1,435,270
Highway infrastructure	21,556,110	1,461,918	—	23,018,028
Bridge infrastructure	5,645,461	501,599	423	6,146,637
Waterway infrastructure	7,081	720	—	7,801
Infrastructure-other	112,098	13,239	—	125,337
Software	422,705	47,513	259	469,959
Other intangibles	200	—	—	200
Subtotal	<u>33,412,234</u>	<u>2,388,318</u>	<u>30,062</u>	<u>35,770,490</u>
Total depreciable and amortizable capital assets, net	<u>32,956,858</u>	<u>329,952</u>	<u>4,355</u>	<u>33,282,455</u>
Total governmental activities capital assets, net	<u>\$ 40,814,402</u>	<u>\$ 3,426,561</u>	<u>\$ 2,609,647</u>	<u>\$ 41,631,316</u>

(1) The beginning balance was adjusted due to the implementation of GASB Statement No. 87.

The decreases in construction in progress represent increases to all capital asset classes including non-depreciable assets such as land and highway right-of-way. For the fiscal year ending June 30, 2021, the amount of the decreases to construction in progress that resulted in increases to land and highway right-of-way totaled \$74,523.

NOTE 4 - CAPITAL ASSETS (continued)

	Balance June 30, 2020 (Restated) ⁽¹⁾	Increases	Decreases	Balance June 30, 2021
Lease assets:				
Land	\$ 32,598	\$ 348	\$ —	\$ 32,946
Buildings and building improvements	1,027,029	114,861	16,322	1,125,568
Machinery and equipment	15,253	1,618	—	16,871
Subtotal	<u>1,074,880</u>	<u>116,827</u>	<u>16,322</u>	<u>1,175,385</u>
Less accumulated amortization for:				
Land	—	5,160	—	5,160
Buildings and building improvements	20,256	132,880	1,859	151,277
Machinery and equipment	1,408	7,357	—	8,765
Subtotal	<u>21,664</u>	<u>145,397</u>	<u>1,859</u>	<u>165,202</u>
Total governmental activities lease assets, net	<u>\$ 1,053,216</u>	<u>\$ (28,570)</u>	<u>\$ 14,463</u>	<u>\$ 1,010,183</u>

(1) The beginning balance was adjusted due to the implementation of GASB Statement No. 87.

Depreciation and amortization expense, by function, related to governmental activities capital assets for the fiscal year ended June 30, 2021 is as follows:

	Governmental Activities Capital Assets	Governmental Activities Leases	Total
Direction and supportive services	\$ 60,956	\$ 42,674	\$ 103,630
Protection of persons and property	147,475	70,645	218,120
Public education	47,582	9	47,591
Health and human services	36,142	24,172	60,314
Economic development	615	77	692
Transportation	2,060,018	6,159	2,066,177
Recreation and cultural enrichment	35,530	1,661	37,191
Total depreciation and amortization expense	<u>\$ 2,388,318</u>	<u>\$ 145,397</u>	<u>\$ 2,533,715</u>

NOTE 4 - CAPITAL ASSETS (continued)

Changes in business-type activities capital assets for the fiscal year ended June 30, 2021 are as follows:

	Balance June 30, 2020 (Restated) ⁽¹⁾	Increases	Decreases	Balance June 30, 2021
Non-depreciable capital assets:				
Land	\$ 237,009	\$ 326	\$ —	\$ 237,335
General construction in progress	38,267	52,262	12,160	78,369
Subtotal	<u>275,276</u>	<u>52,588</u>	<u>12,160</u>	<u>315,704</u>
Depreciable and amortizable capital assets:				
Land improvements	137,454	1,206	—	138,660
Buildings and building improvements	530,005	6,479	13,227	523,257
Machinery and equipment	240,837	11,208	3,587	248,458
Software	23,374	15,207	9,692	28,889
Subtotal	<u>931,670</u>	<u>34,100</u>	<u>26,506</u>	<u>939,264</u>
Less accumulated depreciation and amortization for:				
Land improvements	30,095	6,891	—	36,986
Buildings and building improvements	260,006	21,184	9,885	271,305
Machinery and equipment	152,538	13,107	3,533	162,112
Software	11,153	3,698	3,263	11,588
Subtotal	<u>453,792</u>	<u>44,880</u>	<u>16,681</u>	<u>481,991</u>
Total depreciable and amortizable capital assets, net	<u>477,878</u>	<u>(10,780)</u>	<u>9,825</u>	<u>457,273</u>
Total business-type activities capital assets, net	<u>\$ 753,154</u>	<u>\$ 41,808</u>	<u>\$ 21,985</u>	<u>\$ 772,977</u>

(1) The beginning balance was adjusted due to the implementation of GASB Statement No. 87.

	Balance June 30, 2020 (Restated) ⁽¹⁾	Increases	Decreases	Balance June 30, 2021
Lease assets:				
Buildings and building improvements	\$ 289,703	\$ 60,416	\$ 8,163	\$ 341,956
Machinery and equipment	42	371	42	371
Other	243	—	—	243
Subtotal	<u>289,988</u>	<u>60,787</u>	<u>8,205</u>	<u>342,570</u>
Less accumulated amortization for:				
Buildings and building improvements	—	60,723	529	60,194
Machinery and equipment	—	73	42	31
Other	46	59	—	105
Subtotal	<u>46</u>	<u>60,855</u>	<u>571</u>	<u>60,330</u>
Total business-type activities lease assets, net	<u>\$ 289,942</u>	<u>\$ (68)</u>	<u>\$ 7,634</u>	<u>\$ 282,240</u>

(1) The beginning balance was adjusted due to the implementation of GASB Statement No. 87.

NOTE 4 - CAPITAL ASSETS (continued)

Construction in progress included in governmental activities capital assets at June 30, 2021 includes project information as follows:

	Project Authorization	Amounts Expended at June 30, 2021	Authorization Available
General construction in progress:			
Capitol Complex	\$ 418,218	\$ 95,764	\$ 322,454
Department of Corrections Institutions	460,619	28,317	432,302
Educational Institutions	424,750	126,065	298,685
Environmental Protection	35,613	1,288	34,325
State Parks and Forests	191,968	75,420	116,548
Veterans Homes and Military Armories	76,434	33,167	43,267
Department of Human Services Institutions	87,990	69,809	18,181
Transportation Facilities	259,692	120,423	139,269
Historical and Museum Commission Facilities	32,877	19,621	13,256
State Police Facilities	42,712	8,844	33,868
Agriculture Facilities	23,348	522	22,826
Department of Labor and Industry	8,453	8,417	36
Other	121,660	2,900	118,760
Total general construction in progress	<u>2,184,334</u>	<u>590,557</u>	<u>1,593,777</u>
Highway and Bridge Construction in Progress:	6,296,988	4,386,008	1,910,980
Total construction in progress	<u>\$ 8,481,322</u>	<u>\$ 4,976,565</u>	<u>\$ 3,504,757</u>

The Commonwealth’s initial valuation of governmental activities capital assets was made as of June 30, 1986 using appraisal and historical cost reconstruction techniques. Subsequent to June 30, 1986, governmental activities capital asset acquisitions are reported at cost or, for donations or confiscations, at fair value. At June 30, 2021 the remaining amount of governmental activities capital assets related to the initial June 30, 1986 valuation amounted to \$1,482,114. The initial June 30, 1986 valuation did not include highway, bridge or waterway infrastructure. Such infrastructure was first reported in the June 30, 2002 basic financial statements, retroactive to July 1, 1980.

NOTE 5 - INTERNAL/INTERFUND BALANCES AND TRANSFERS

Statement of Net Position

Internal Balances

In the statement of net position, reported internal balances of (\$13,201)/\$12,776 for governmental activities/business-type activities differ by \$425 because the **State Workers' Insurance Fund**, an enterprise fund, reports for its fiscal year ended December 31, 2020.

Fund Financial Statements

Interfund Balances

The composition of governmental and proprietary funds interfund balances reported at June 30, 2021 is as follows, with major fund titles in bold. Aggregate nonmajor governmental funds receivables from other funds and from component units, respectively, amount to \$403,225 and \$8,278; aggregate nonmajor enterprise funds receivables from other funds amount to \$27,454; aggregate internal service funds receivables from other funds and from component units, respectively, amount to \$41,322 and \$52:

Fund Type/Fund Primary Government	Due From		Due To	
	Other Funds	Component Units	Other Funds	Component Units
General Fund	\$ 207,617	\$ 89,594	\$ 570,396	\$ 5,130
<u>Special Revenue:</u>				
Motor License Fund	20,326	174	85,257	54
Banking Fund	2	—	116	—
Milk Marketing Fund	1	—	23	—
Workmen's Compensation Administration Fund	3	—	317	162
Workers' Compensation Security Fund	145,000	—	22	—
Tobacco Settlement Fund	418	—	15,924	—
Public Transportation Trust Fund	80,195	—	9,141	—
Gaming Fund	2,470	1,505	24,218	15,000
Environmental Stewardship Fund	1	—	248	590
Marcellus Shale Fund	22	—	1,805	—
Multimodal Transportation Fund	5,745	—	64,188	—
Underground Storage Tank Indemnification Fund	86,475	—	77	—
Other Funds	56,771	—	39,408	502
Special Revenue subtotal	397,429	1,679	240,744	16,308
<u>Debt Service:</u>				
PA Infrastructure Investment Authority Redemption Fund	—	223	—	—
Capital Debt Fund	—	—	10	—
Debt Service subtotal	—	223	10	—
<u>Capital Projects:</u>				
Capital Facilities Fund	2,861	6,550	22,691	—
Keystone Recreation, Park and Conservation Fund	11,263	—	807	—
Public Transportation Assistance Fund	11,998	—	28	—
Capital Projects subtotal	26,122	6,550	23,526	—
<u>Enterprise:</u>				
Unemployment Compensation Fund	665	—	1,437	—
State Lottery Fund	21	—	90,589	—
Tuition Payment Fund	26	—	39	—
State Stores Fund	177	—	25,361	—
Commonwealth Financing Authority	75,095	—	601	—
Rehabilitation Center Fund	4,746	—	185	—
Philadelphia Regional Port Authority	22,690	—	55	—
Other Funds	18	—	2,097	—
Enterprise subtotal	103,438	—	120,364	—

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

Fund Type/Fund Primary Government	Due From		Due To	
	Other Funds	Component Units	Other Funds	Component Units
<u>Internal Service:</u>				
Purchasing Fund	31,992	52	4,409	2
Manufacturing Fund	9,330	—	731	—
Internal Service subtotal	41,322	52	5,140	2
<u>Fiduciary - Pension Trust:</u>				
State Employees' Retirement System	17,803	14,240	—	—
Deferred Compensation Fund	—	—	49	—
Public School Employees' Retirement System	8,158	—	2,408	—
Public School Employees' Retirement System - DC	—	—	545	—
Fiduciary - Pension Trust subtotal	25,961	14,240	3,002	—
Total primary government	\$ 801,889	\$ 112,338	\$ 963,182	\$ 21,440

Discretely Presented Component Units	Due From		Due To	
	Primary Government	Component Units	Primary Government	Component Units
Pennsylvania Turnpike Commission	\$ 18,662	\$ —	\$ —	\$ —
Pennsylvania Housing Finance Agency	1,779	380	—	389
Pennsylvania Higher Education Assistance Agency	1	—	29	—
Pennsylvania Infrastructure Investment Authority	15,587	389	83,043	380
State System of Higher Education	4,071	—	6,566	—
Pennsylvania Industrial Development Authority	—	—	5,005	—
Pennsylvania Convention Center Authority	—	—	1,505	—
Other component units	—	—	1,856	—
Total component units	\$ 40,100	\$ 769	\$ 98,004	\$ 769

The amount of total reported interfund receivables of \$955,096 does not agree with total reported interfund payables of \$1,083,395 at June 30, 2021 due to different fiscal year ends and reporting differences for certain funds included in the fund financial statements at June 30, 2021. The amount reported for the Pennsylvania Turnpike Commission, a discretely presented component unit, is reported at its fiscal year ended May 31, 2021; the amounts reported as interfund balances for the State Employees' Retirement System and Deferred Compensation Fund, pension trust funds, the **State Workers' Insurance Fund**, an enterprise fund, and the Pennsylvania Health Insurance Exchange Authority, a discretely presented component unit, are reported at their fiscal years ended December 31, 2020. The following presents a reconciliation of interfund balances reported at June 30, 2021 and those amounts that would have been reported if all funds reported at the same fiscal year-end:

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

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Component Units	Total
Due from other funds	\$ 629,999	\$ 137,644	\$ 25,302	\$ —	\$ 792,945
Due from pension trust funds	1,169	7,116	659	—	8,944
Due from component units	98,046	52	14,240	769	113,107
Due from primary government	—	—	—	40,100	40,100
Total	<u>\$ 729,214</u>	<u>\$ 144,812</u>	<u>\$ 40,201</u>	<u>\$ 40,869</u>	<u>\$ 955,096</u>
Reported Interfund Receivables					\$ 955,096
State Employees' Retirement System decrease in receivables from January 1, 2021 through June 30, 2021					(230)
Deferred Compensation Fund increase in receivables from January 1, 2021 through June 30, 2021					117
Pennsylvania Turnpike Commission decrease in receivables from June 1, 2021 through June 30, 2021					(18,662)
State Workers' Insurance Fund increase in receivables from January 1, 2021 through June 30, 2021					113
Interfund receivables reported as taxes receivable and accounts receivable by fiduciary funds					79,324
Payroll accrual at June 30, 2021 - receivables attributable to State Employees' Retirement System					76,441
Reconciled Interfund Receivables					<u>\$ 1,092,199</u>
	Governmental Funds	Proprietary Funds	Fiduciary Funds	Component Units	Total
Due to other funds	\$ 645,251	\$ 121,709	\$ 872	\$ —	\$ 767,832
Due to pension trust funds	189,425	3,795	2,130	—	195,350
Due to component units	21,438	2	—	769	22,209
Due to primary government	—	—	—	98,004	98,004
Total	<u>\$ 856,114</u>	<u>\$ 125,506</u>	<u>\$ 3,002</u>	<u>\$ 98,773</u>	<u>\$ 1,083,395</u>
Reported Interfund Payables					\$ 1,083,395
State Employees' Retirement System increase in payables from January 1, 2021 through June 30, 2021					435
Pennsylvania Health Exchange Insurance Authority decrease in payables from January 1, 2021 through June 30, 2021					(31)
Deferred Compensation Fund decrease in payables from January 1, 2021 through June 30, 2021					(49)
Pennsylvania Turnpike Commission increase in payables from June 1, 2021 through June 30, 2021					191
State Workers' Insurance Fund increase in payables from January 1, 2021 through June 30, 2021					810
Interfund payables reported as accounts payable by fiduciary funds					7,448
Reconciled Interfund Payables					<u>\$ 1,092,199</u>

Advances - Fund Financial Statements

At June 30, 2021, the **General Fund** reported advances to other funds of \$8,373. Specifically, this amount has been advanced as follows: \$2,300 to the **State Workers' Insurance Fund (SWIF)**, an enterprise fund; \$2,175 to the **Motor License Fund**, \$3,000 to the Medical Marijuana Program Fund, and \$898 to the Gaming Fund, special revenue funds. These amounts have been reported by the respective owing funds as advances from other funds, except for the **SWIF**, which reported an advance of \$2,557 at its fiscal year ended December 31, 2020.

Other Advances reported as of June 30, 2021 included:

- The Workmen's Compensation Administration Fund to the Uninsured Employers Guaranty Fund (both special revenue funds) in the amount of \$16,500;
- The Workers' Compensation Security Fund, a special revenue fund, to the **General Fund** in the amount of \$350,000, of which \$165,000 is expected to be repaid by July 1, 2024, and the remaining \$185,000 by July 1, 2028;
- The Pennsylvania Infrastructure Bank Fund, an enterprise fund, to the **Motor License Fund** in the amount of \$3,264, to be repaid by June 2030.

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

Transfers

A summary of transfers reported for the fiscal year ended June 30, 2021 is as follows, with major fund titles in bold. Aggregate nonmajor governmental fund transfers from other funds amounted to \$1,966,455 during the fiscal year ended June 30, 2021; aggregate nonmajor governmental fund transfers to other funds amounted to \$667,753. Aggregate nonmajor proprietary fund transfers from other funds amounted to \$46,478; aggregate nonmajor proprietary fund transfers to other funds amounted to \$13,250.

Primary Government	Transfers	
	In	Out
General Fund	\$ 961,805	\$ 1,860,949
<u>Special Revenue:</u>		
Motor License Fund	12,868	123,375
Medical Marijuana Program Fund	—	20,000
Workmen's Compensation Administration Fund	2,687	—
Tobacco Settlement Fund	115,337	—
Public Transportation Trust Fund	119,076	30,000
Gaming Fund	200,061	175,807
Environmental Stewardship Fund	18,885	25,015
Vocational Rehabilitation Fund	47,942	—
Agricultural Conservation Easement Purchase Fund	11,121	5,000
State Farm Products Show Fund	5,000	—
Recycling Fund	1,000	50,200
Oil and Gas Lease Fund	—	53,823
Hazardous Sites Cleanup Fund	17,552	4,000
Marcellus Shale Fund	15,000	62,085
Insurance Regulation and Oversight Fund	—	10,000
Uninsured Employers Guaranty Fund	280	—
State Racing Fund	11,777	—
Fish and Boat Fund	13,098	7,972
Multimodal Transportation Fund	30,000	63,693
Other Funds	15,592	31,518
Special Revenue subtotal	637,276	662,488
<u>Debt Service:</u>		
Capital Debt Fund	1,295,923	39,000
Growing Greener Bond Sinking Fund	13,609	—
Water and Sewer Assistance Bond Sinking Fund	11,548	—
Water Supply and Wastewater Treatment Sinking Fund	2,146	—
Other Funds	1,495	—
Debt Service subtotal	1,324,721	39,000

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

Primary Government	Transfers	Transfers
	In	Out
Capital Projects:		
Capital Facilities Fund	17,326	60,546
Keystone Recreation, Park and Conservation Fund	—	5,925
Public Transportation Assistance Fund	—	23,169
Capital Projects subtotal	17,326	89,640
Enterprise:		
Unemployment Compensation Fund	—	2,471
State Lottery Fund	500	235,907
State Stores Fund	—	190,397
Commonwealth Financing Authority	447,254	341,258
Volunteer Companies Loan Fund	—	6,250
Historical Preservation Fund	3	—
Pennsylvania Infrastructure Bank Fund	—	5,000
Local Government Capital Project Loan Fund	—	2,000
Philadelphia Regional Port Authority	46,475	—
Enterprise subtotal	494,232	783,283
Total transfers, fund financial statements	3,435,360	3,435,360
Less: net elimination of governmental fund transfers	(3,146,309)	(3,146,309)
Total transfers, Statement of Activities	\$ 289,051	\$ 289,051

Primary Government Transactions with Discretely Presented Component Units

Financial Support Provided to:

Major Discretely Presented Component Units

During the fiscal year ended June 30, 2021 (May 31, 2021 for Pennsylvania Turnpike Commission), the Commonwealth provided financial support to major discretely presented component units, reported by the component units as follows:

State System of Higher Education (appropriations, grants and contracts)	\$ 608,783
Pennsylvania Higher Education Assistance Agency (grants)	381,863
Pennsylvania Turnpike Commission (capital contributions)	152,178
Pennsylvania Housing Finance Agency (program income and fees)	42,104
Pennsylvania Infrastructure Investment Authority (grants)	24,643

Nonmajor Discretely Presented Component Units

During the fiscal year ended June 30, 2021, the Commonwealth provided financial support to nonmajor component units by appropriations, as follows:

Ben Franklin Technology Development Authority	\$ 14,500
Thaddeus Stevens College of Technology	18,701
Port of Pittsburgh Commission	999

Financial Support Provided to the Commonwealth

During its fiscal year ended May 31, 2021, the Pennsylvania Turnpike Commission incurred additional debt in order to provide \$450,000 to the Public Transportation Trust Fund under the statutory provisions of Act 89 of 2013, Act 44 of 2007, and the related Lease and Funding Agreement between the Pennsylvania Turnpike Commission and the Commonwealth. Under the provisions of Act 89 of 2013, the Commonwealth subsequently transferred \$30,000, during the fiscal year, from the Public Transportation Trust Fund to the Multimodal Transportation Fund.

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

Governmental Activities

Long-term obligations of the Commonwealth’s governmental activities at June 30, 2021 and changes therein during the fiscal year ended June 30, 2021 are as follows:

	Issue Dates	Interest Rates	Maturity Dates Through	Bonds Authorized But Unissued	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
GENERAL LONG-TERM OBLIGATIONS								
General Obligation Bonds Payable From								
Tax Revenues:								
Capital Facilities	2010-21	2.00-5.45%	2041	\$ 153,949,019	\$ 5,881,415	\$ 1,000,000	\$ 522,938	\$ 6,358,477
Disaster Relief	—	—	—	105,908	—	—	—	—
Land and Water Development	—	—	—	300	—	—	—	—
Nursing Home Loan Development	—	—	—	31,000	—	—	—	—
Volunteer Companies Loan	—	—	—	50,000	—	—	—	—
Vietnam Conflict Veterans Compensation	—	—	—	3,000	—	—	—	—
Water Facilities Loan	—	—	—	11,500	—	—	—	—
Pennsylvania Economic Revitalization	—	—	—	14,000	—	—	—	—
Pennsylvania Infrastructure								
Investment Authority	2010-20	3.00-5.00%	2038	16,000	134,910	19,600	58,950	95,560
Local Criminal Justice	—	—	—	3,000	—	—	—	—
Water Supply and Wastewater Treatment	2010-16	3.00-5.00%	2036	—	30,740	—	4,840	25,900
Growing Greener	2010-18	3.00-5.45%	2039	—	130,145	—	16,282	113,863
Persian Gulf Conflict Veterans Compensation	—	—	—	13,000	—	—	—	—
Refunding Bonds	2004-21	0.13-5.38%	2031	—	4,577,770	495,525	692,230	4,381,065
Total principal				<u>154,196,727</u>	<u>10,754,980</u>	<u>1,515,125</u>	<u>1,295,240</u>	<u>10,974,865</u>
Unamortized premium on bonds issued				—	747,435	150,966	173,347	725,054
Unamortized discount on bonds issued				—	(5,239)	(1,831)	(419)	(6,651)
Total general obligation bonds payable				<u>\$ 154,196,727</u>	<u>\$ 11,497,176</u>	<u>\$ 1,664,260</u>	<u>\$ 1,468,168</u>	<u>\$ 11,693,268</u>
Other General Long-Term Obligations								
Payable From Tax and Other Revenues:								
Installment Purchase Liabilities ⁽¹⁾					3,828	259	1,467	2,620
Lease Liabilities ⁽¹⁾⁽²⁾					1,052,023	116,827	149,672	1,019,178
Self-Insurance---Note 8 ⁽¹⁾					1,078,277	154,884	119,945	1,113,216
Compensated Absences ⁽¹⁾					827,322	592,423	529,351	890,394
Other ⁽¹⁾					2,533,471	526,232	422,402	2,637,301
Subtotal					<u>5,494,921</u>	<u>1,390,625</u>	<u>1,222,837</u>	<u>5,662,709</u>
TOTAL GENERAL LONG-TERM OBLIGATIONS					<u>\$ 16,992,097</u>	<u>\$ 3,054,885</u>	<u>\$ 2,691,005</u>	<u>\$ 17,355,977</u>

Totals may not foot due to rounding.

(1) The reported current liability portion of: Installment Purchase Obligations is \$1,351; Lease Liabilities is \$121,280; Self-Insurance is \$116,431; Compensated Absences is \$155,130; and Other liabilities is \$463,575.

(2) The beginning balance for Lease Liabilities was adjusted due to the implementation of GASB Statement No. 87.

Total principal "Additions" above, amounting to \$1,515,125, are equal to bonds issued of \$1,019,600 and refunding bonds issued of \$495,525 reported in the governmental funds statements of revenues, expenditures, and changes in fund balances for the fiscal year ended June 30, 2021.

The total "Additions" of \$1,664,260 for general obligation bonds payable at June 30, 2021 consists of total bond and refunding bond proceeds of \$1,168,734 and \$495,525, respectively, for governmental funds (including a premium of \$150,966 less a discount of \$1,831).

The total "Reductions" of \$1,468,168 for general obligation bonds payable at June 30, 2021 consists of total principal repayments of \$1,295,240 plus \$173,347 of bond premium and \$419 of bond discount that were amortized and posted to bond interest expense in the statement of activities. The remaining unamortized premium and discount in the statement of net position at June 30, 2021 is \$725,054 and \$6,651, respectively.

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

The Commonwealth has pledged its full faith and credit for the payment of principal and interest on its general obligation bonds. The **General Fund**, the **Motor License Fund**, the Gaming Fund, and the Persian Gulf Conflict Veterans' Compensation Bond Fund transferred amounts to debt service funds for general obligation bond principal and interest payments. During the fiscal year ended June 30, 2021, these funds transferred \$1,168,739, \$109,182, \$18,000, and \$2, respectively, to the Capital Debt Fund. The Capital Debt Fund reported \$1,281,274 (97%) of total Debt Service funds principal and interest expenditures of \$1,318,146. Typically, except for catastrophic loss benefits claims, which are funded by motorist violation fines, general long-term obligations other than general obligation bonds are mostly funded by the **General Fund** and/or the **Motor License Fund**. In specific limited instances a variety of individual funds will fund some obligations. Such instances include capital assets being procured using long-term vendor or other financing. In accordance with the Constitution of Pennsylvania, Section 807 §7 (d), in the event of default on Commonwealth debt; if sufficient funds are not appropriated for the timely payment of debt, the State Treasurer shall apply the first revenues thereafter received applicable to the appropriate fund sufficient to pay the interest and principal amount of the debt, and shall apply those funds to such debt.

Included in "Other" for Other General Long-Term Obligations payable from **General Fund**, **Motor License Fund**, special revenue assessments, and/or other governmental fund tax revenues, investment income and/or escheated property are the following at June 30, 2021:

Workers' compensation security trust claims	\$ 366,463
Catastrophic loss benefits claims	64,554
Medical Care Availability & Reduction of Error claims - Note 11 ..	1,098,030
Underground Storage Tank Indemnification claims - Note 11	313,581
Public Utility Realty Tax Act (PURTA) liability	29,974
State Insurance Fund claims	6,037
Restricted receipts liability	1,989
Escheated property liability	421,020
Pollution remediation liability	166,790
Asset retirement obligation	168,863
Total	<u><u>\$ 2,637,301</u></u>

The Workers' Compensation Security Trust Fund provides for payment of valid claims under the Workers' Compensation Law to individuals whose employers are insured by insolvent insurance carriers. The Catastrophic Loss Benefits Continuation Fund provides specific benefits to qualifying claimants who sustained severe injuries in motor vehicle accidents. The Public Utility Realty Tax Act (PURTA) provides for a tax on utility realty property whereby amounts received during the fiscal year are used as a **General Fund** revenue source. The Act also provides for payment of a majority of the PURTA revenues as a distribution to local taxing authorities during the following fiscal year (normally in October). Such payments are appropriated for expenditure in the following fiscal year and are, therefore, not expendable during the fiscal year the related revenue is received. Escheated property is held in perpetuity for the rightful owner. The liability represents the estimated property that will ultimately be claimed. This property may be claimed without the appropriation process. None of the "Other" amounts included in general long-term obligations at June 30, 2021 are payable with currently expendable available financial resources.

Pollution remediation obligations generally involve groundwater, surface water and/or soil at or adjacent to former manufacturing/industrial locations. Affected landfills have either received specific contaminants and/or are the source of leachate, either on-site or affecting adjacent properties. Contaminants include petroleum, chlorinated and/or polycyclic aromatic hydrocarbons; also, priority pollutant and/or target analyte list metals or lead. Financial responsibility is often coordinated between the Commonwealth, the Federal Environmental Protection Agency and, from time to time, either private responsible or potentially responsible parties. For the fiscal year ended June 30, 2021, the Commonwealth recognized recovery receivables of \$8,569 from private parties. Reported obligation amounts do not include instances, or portions of instances, where specific components of a potential remediation effort are not reasonably estimable as of June 30, 2021. The nature of the remediation activities in such instances is often site assessment, investigation or feasibility studies. Remediation efforts are typically funded through the Hazardous Sites Cleanup Fund or the **Motor License Fund**, both special revenue funds.

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

Asset retirement obligations reported by the Commonwealth generally involve the removal of buildings, dams, bridges or abandonment of water obstructions and encroachments. Prior to the discontinuance or abandonment of these structures, the Commonwealth has an obligation to remove all or part of the facilities and take other actions as necessary to protect public safety and the environment in accordance with existing Pennsylvania code regulations. The remaining useful life of Commonwealth capital assets associated with asset retirement obligations range from one to 50 years. Reported obligation amounts do not include instances, or portions of instances, where the asset retirement obligations are not reasonably estimable as of June 30, 2021. Obligations are funded by the **General Fund**, Environmental Stewardship Fund, and various capital project funds.

The Commonwealth’s constitutional debt limit, which allows for the incurrence of debt to be used for capital projects without electorate approval as specifically itemized in a capital budget, was \$65,530,251 as of August 31, 2021, with net debt outstanding after credit for refunded debt of \$9,732,968.

The following table presents annual principal and interest payments for long-term debt outstanding at June 30, 2021:

GENERAL LONG-TERM OBLIGATIONS

<u>For the fiscal year ending June 30,</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027-31</u>	<u>2032-36</u>
Capital Facilities	\$ 612,260	\$ 588,456	\$ 549,300	\$ 549,531	\$ 523,317	\$ 2,840,182	\$ 2,285,885
Disaster Relief	—	—	—	—	—	—	—
Land and Water Development	—	—	—	—	—	—	—
Nursing Home Loan Development	—	—	—	—	—	—	—
Volunteer Companies Loan	—	—	—	—	—	—	—
Vietnam Conflict Veterans Compensation	—	—	—	—	—	—	—
Water Facilities Loan	—	—	—	—	—	—	—
Pennsylvania Economic Revitalization	—	—	—	—	—	—	—
Pennsylvania Infrastructure Investment Authority	16,427	9,273	4,309	4,309	4,310	48,838	31,008
Local Criminal Justice	—	—	—	—	—	—	—
Water Supply and Wastewater Treatment	3,279	2,682	2,677	2,679	1,126	10,990	10,457
Growing Greener	12,289	12,317	10,538	10,586	10,643	60,593	29,956
Persian Gulf Conflict Veterans Compensation	—	—	—	—	—	—	—
Refunding Bonds	698,046	684,597	699,573	630,527	658,732	1,726,817	125,978
Total Principal and Interest	1,342,301	1,297,325	1,266,397	1,197,632	1,198,128	4,687,420	2,483,284
Less: Interest Payments	(470,281)	(431,050)	(388,217)	(345,781)	(302,233)	(939,761)	(308,229)
Total General Obligation Bonds	872,020	866,275	878,180	851,851	895,895	3,747,659	2,175,055
Other General Long-Term Obligations	844,892	492,121	466,460	433,876	419,476	1,752,777	904,537
TOTAL GENERAL LONG-TERM OBLIGATIONS...	\$ 1,716,912	\$ 1,358,396	\$ 1,344,640	\$ 1,285,727	\$ 1,315,371	\$ 5,500,436	\$ 3,079,592

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

GENERAL LONG-TERM OBLIGATIONS

For the fiscal year ending June 30,	2037-41	2042-46	Thereafter	Total
Capital Facilities	\$ 715,177	\$ —	\$ —	\$ 8,664,108
Disaster Relief	—	—	—	—
Land and Water Development	—	—	—	—
Nursing Home Loan Development	—	—	—	—
Volunteer Companies Loan	—	—	—	—
Vietnam Conflict Veterans Compensation	—	—	—	—
Water Facilities Loan	—	—	—	—
Pennsylvania Economic Revitalization	—	—	—	—
Pennsylvania Infrastructure Investment Authority	8,411	—	—	126,885
Local Criminal Justice	—	—	—	—
Water Supply and Wastewater Treatment	695	—	—	34,585
Growing Greener	6,155	—	—	153,077
Persian Gulf Conflict Veterans Compensation	—	—	—	—
Refunding Bonds	—	—	—	5,224,270
Total Principal and Interest	730,438	—	—	14,202,925
Less: Interest Payments	(42,508)	—	—	(3,228,060)
Total General Obligation Bonds	687,930	—	—	10,974,865
Other General Long-Term Obligations	295,282	53,253	35	5,662,709
TOTAL GENERAL LONG-TERM OBLIGATIONS ...	\$ 983,212	\$ 53,253	\$ 35	\$16,637,574

The Commonwealth routinely leases various facilities and equipment instead of purchasing assets. In addition, the Commonwealth routinely acquires certain capital assets using installment purchase arrangements. The lease contracts, at times, include variable payments, residual value guarantees, or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. For the fiscal year ended, June 30, 2021, the Commonwealth recognized expense for lease variable payments related to index changes and payments based on performance of \$636, and termination penalties of \$68. There were no residual guarantee payments expensed for the fiscal year ended June 30, 2021. The following is a schedule by fiscal year of future minimum payments due for leases and installment purchases, together with the present value of the net minimum lease payments as of June 30, 2021:

Fiscal Year Ending June 30	Installment Purchase Liabilities		Lease Liabilities	
	Principal	Interest	Principal	Interest
2022	\$ 1,351	\$ 146	\$ 121,280	\$ 19,865
2023	837	58	107,895	18,195
2024	395	24	92,783	15,988
2025	37	2	83,026	13,963
2026	—	—	68,501	12,086
2027-31	—	—	261,650	43,578
2032-36	—	—	133,628	21,015
2037-41	—	—	97,127	9,005
2042-46	—	—	53,253	1,152
Thereafter	—	—	35	1
Total Lease and Installment Purchase Liabilities	\$ 2,620	\$ 230	\$ 1,019,178	\$ 154,848

NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)**Refunded Debt Information**

During the fiscal year ended June 30, 2021, the Commonwealth issued \$495,525 in general obligation bonds, First Refunding Series of 2021 with an average interest cost of 1.8% to advance refund \$471,880 of previously issued general obligation bonds with average interest rates of 4.0%. The net refunding bond proceeds of \$494,440 after payment of underwriting fees and other issuance costs, were deposited with an escrow agent in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the bonds refunded are considered to be defeased and have been removed from the Commonwealth's financial statements. The Commonwealth refunded its previously issued bonds to reduce debt service payable on its general obligation bonds by \$65,133 and to obtain an economic gain of \$58,321.

A deferred outflow of resources of \$14,629 for net refunding loss was reported in the statement of net position. Bond issuance costs of \$1,084 were reported in the statement of revenues, expenditures and changes in fund balance, as interest and fiscal charges.

In prior years, the Commonwealth defeased certain general obligation bonds by placing the proceeds of refunding bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. At June 30, 2021, \$1,343,605 of general obligation bonds outstanding that were previously accounted for in the Commonwealth's financial statements were defeased through advance refunding.

Other Financing Obligations

In 2018, the Commonwealth entered into a long-term financing agreement. The term of the agreement is for 29 years with a one time, lump-sum net payment of \$200,000 paid to the Commonwealth. This agreement was securitized with a publicly-offered issuance of certificates of participation on April 26, 2018. Interest will accrue on the principal amount payable by the Commonwealth per the established rates. The semi-annual payments are to be made solely from funds appropriated by the General Assembly, and are not secured by a pledge by the Commonwealth of the Commonwealth's full faith, credit and taxing power. During the fiscal year ended June 30, 2021, the Commonwealth made annual installment payments for the principal and interest totaling \$3,935 and \$9,321, respectively. The other financing obligation at June 30, 2021 consists of \$193,435 in principal and \$11,229 in unamortized premium.

In 2010, multiple agencies participated in energy audits pursuant to the Guaranteed Energy Savings Act. As a result of the audits, the agencies entered into guaranteed energy saving installment agreements with various vendors to acquire energy-saving improvements. These agreements were financed with issuances of Commonwealth certificates of participation totaling \$114,845. The guaranteed energy savings from the improvements were designed to be sufficient to fund the future installment payments. These certificates are secured and payable by the Commonwealth through the installment agreement arrangements, which are subject to annual appropriations. The certificates are not secured by a pledge of the Commonwealth's full faith, credit and taxing power. During the fiscal year ended June 30, 2021, the Commonwealth made annual installment payments for the principal and interest totaling \$8,680 and \$2,712, respectively. As of June 30, 2021, total principal remaining on the certificates of participation is \$48,750.

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

The tables for the balances and changes in the certificates of participation balances as of June 30, 2021 and the annual principal and interest payments are as follows:

	Issue Date	Interest Rates	Maturity Dates Through	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
CERTIFICATES OF PARTICIPATION							
Certificates of Participation Payable From Appropriation:							
Series A of 2018	2018	3.63-5.85	2046	\$ 197,370	\$ —	\$ 3,935	\$ 193,435
2010 - Multiple Series	2010	1.15-7.11	2027	57,430	—	8,680	48,750
Total principal				254,800	—	12,615	242,185
Unamortized premium on certificates issued				12,520	—	1,291	11,229
Total certificates of participation payable				\$ 267,320	\$ —	\$ 13,906	\$ 253,414

CERTIFICATES PAYABLE FROM APPROPRIATION

For the fiscal year ending June 30,	2022	2023	2024	2025	2026	2027-31	2032-36
Certificates of Participation (Principal and Interest)	\$ 23,813	\$ 24,097	\$ 24,631	\$ 21,731	\$ 20,841	\$ 73,652	\$ 66,275
Less: Interest payments	(11,443)	(10,827)	(10,161)	(9,466)	(8,746)	(37,422)	(29,770)
Total Certificates of Participation	\$ 12,370	\$ 13,270	\$ 14,470	\$ 12,265	\$ 12,095	\$ 36,230	\$ 36,505

For the fiscal year ending June 30,	2037-41	2042-2046	Total
Certificates of Participation (Principal and Interest)	\$ 66,283	\$ 66,281	\$ 387,604
Less: Interest payments	(20,003)	(7,581)	(145,419)
Total Certificates of Participation	\$ 46,280	\$ 58,700	\$ 242,185

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

Based on several contractual agreements between the Commonwealth, the City of Philadelphia (City), and the Pennsylvania Convention Center Authority (PCCA), a discretely presented component unit, the Commonwealth is financially obligated for debt service principal and interest payments for certain bonds issued by a public financing authority in connection with the PCCA premises in Philadelphia, Pennsylvania (PCCA bonds). As of June 30, 2021, total principal remaining on the debt service is \$207,695.

Additionally, during the fiscal year ended June 30, 2021, the Commonwealth entered into a service agreement with a public financing authority which financially obligated the Commonwealth for debt service principal and interest payments for bonds issued by the public financing authority to provide grant funding for Commonwealth counties to acquire new Voting Apparatus Systems (voting bonds). The other financing obligation at June 30, 2021 consists of \$68,845 in principal and \$6,864 in unamortized premium.

Total debt service requirements for the bonds at June 30, 2021 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total Other Financing Obligations</u>
2022	\$ 28,670
2023	28,577
2024	21,990
2025	21,982
2026	21,977
2027-31	137,345
2032-36	127,640
2037-39	77,151
Total principal and interest	465,332
Less: interest	(188,792)
Total Principal	\$ 276,540

Total bond principal and interest payments made during the fiscal year ended June 30, 2021 for the PCCA bonds and voting bonds amounted to \$5,775 and \$13,708, and \$6,350 and \$1,469, respectively. The debt service for the PCCA bonds was financed by \$14,478 from the City (in the form of an annual service fee), \$4,526 from the U.S. Treasury (in the form of a Build America Bonds interest subsidy for Series B of the bonds), and \$479 of Debt Service Reserve fund interest. The debt service for the voting bonds was financed by Commonwealth appropriations.

For the PCCA bonds, through June 30, 2039, the Commonwealth anticipates that the City will remit \$15,000 each fiscal year to the bond trustee, to be applied first to bond principal and interest payments due during each fiscal year amounting to a total of \$255,000; a total of \$65,863 of Build America Bonds Series B interest subsidy that will be paid to the bond trustee; the bond trustee will apply Debt Service Reserve fund income of \$26,660; and the Commonwealth will appropriate a maximum amount of \$32,944 to be financed by the Gaming Fund under the provisions of Act 53 of 2007 to finance total bond principal and interest payments of \$382,167 at June 30, 2021. Amounts to be financed by the Gaming Fund under the provisions of Act 53 of 2007 are established each fiscal year and will vary based on bond trustee investment income and other amounts due under the bond trust indenture and other contractual agreements. No Gaming Fund payment was required for the fiscal year ended June 30, 2021.

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

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

Business-Type Activities

Tuition Benefits Payable

The reported liability for tuition benefits payable of \$1,663,760 of the **Tuition Payment Fund**, an enterprise fund, at June 30, 2021 is based on several actuarial assumptions, including those related to tuition cost increases, investment experience, income from account maintenance fees, and program expenses for the Pennsylvania 529 Guaranteed Savings Plan (GSP). The assumed rate of return on long-term investments is 5.50%.

Changes in tuition benefits payable are as follows:

Balance at July 1, 2020		Additions	Reductions	Balance at June 30, 2021		Current Due within One Year	Noncurrent Due after One Year
\$	1,661,199	\$ 213,605	\$ 211,044	\$	1,663,760	\$ 321,591	\$ 1,342,169

Insurance Loss Liability

The reported insurance loss liability of the **State Workers' Insurance Fund (SWIF)**, an enterprise fund, is primarily based on historical claims experience. One of the assumptions used to determine the reported liability amount includes using a discount rate of 2.0% at December 31, 2020 and December 31, 2019. There is uncertainty as to whether the reported liability will be supported by future claim experience, including payments; this uncertainty must be considered when evaluating the reported insurance loss liability.

For the calendar years ended December 31, 2020 and 2019, the following summary provides information on prior year reported insurance loss liability, incurred claims and payments, and current year reported insurance loss liability.

Year Ended December 31	Prior Year Liability	Incurred Claims		Payments		Current Year Liability
		Current	Prior	Current	Prior	
2020	\$ 1,335,374	\$ 129,657	\$ (110,330)	\$ 29,299	\$ 117,662	\$ 1,207,740
2019	\$ 1,423,731	\$ 152,707	\$ (60,785)	\$ 33,497	\$ 146,782	\$ 1,335,374

The current portion of the total **SWIF** insurance loss liability is \$122,043 and the noncurrent portion is \$1,085,697. Additionally, nonmajor enterprise funds reported a noncurrent insurance loss liability of \$617 at June 30, 2021. Total reported current insurance loss liability amounts to \$122,043 and total noncurrent insurance loss liability amounts to \$1,086,314 at June 30, 2021.

Compensated Absences Liability

The reported compensated absences liability for the enterprise funds totaled \$43,994 at June 30, 2021. Of that amount, the liability is primarily owed by the **State Stores Fund** (\$35,177), the **SWIF** (\$2,206), and the **State Lottery Fund** (\$3,658). The following summary provides aggregated information reported for June 30, 2021 compensated absences liabilities; additions and reductions during the fiscal year ended June 30, 2021 and reported compensated absences liabilities at June 30, 2021:

Balance July 1, 2020		Additions	Reductions	Balance June 30, 2021	
\$	41,080	\$ 30,432	\$ 27,518	\$	43,994

The current portion of the total compensated absences liability for enterprise funds is \$7,454; the noncurrent portion is \$36,540.

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

Lease Liabilities

Certain enterprise funds (including the Philadelphia Regional Port Authority, blended component unit) routinely lease various facilities and equipment instead of purchasing the assets. The contracts at times, include variable payments, residual value guarantees or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. For the fiscal year ended June 30, 2021, enterprise funds recognized expense for lease variable payments related to index changes and payments based on performance of \$240. There were no termination penalties or residual guarantee payments expensed for the fiscal year ended June 30, 2021. The following is a schedule by fiscal year future minimum payments due for leases, together with the present value of the net minimum lease payments as of June 30, 2021:

Fiscal Year Ending June 30	Lease Liabilities	
	Principal	Interest
2022	\$ 56,482	\$ 15,730
2023	51,555	3,541
2024	45,212	11,949
2025	39,163	1,954
2026	30,722	1,341
2027-31	60,560	30,932
2032-36	2,343	29
Total Lease and Installment Purchase Liabilities	<u>\$ 286,037</u>	<u>\$ 65,476</u>

The following summary provides aggregated information reported for June 30, 2021 lease liabilities; additions and reductions during the fiscal year ended June 30, 2021 and reported lease liabilities at June 30, 2021:

Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
\$ 289,944	\$ 60,787	\$ 64,694	\$ 286,037

Federal Unemployment Account Loan

During fiscal year ended June 30, 2021, advances were made to the Commonwealth's **Unemployment Compensation Fund** from the Federal Unemployment Account (FUA) in the amount of \$1,559,422, reported in due to other governments on the statement of net position. The FUA provides for a loan fund for state unemployment programs to ensure continued flow of unemployment compensation payments to claimants. In accordance with Federal law, any outstanding loan balance as of January 2022 must be repaid by November 10, 2022, or the Federal unemployment compensation tax on employers will be increased each year that the loan is not repaid. The American Rescue Plan Act of 2021 waived interest on FUA advances through September 6, 2021, thus no accrued interest was recorded as of June 30, 2021.

Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
\$ —	\$ 1,559,422	\$ —	\$ 1,559,422

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

Revenue Bonds Payable

Revenue bond obligations of the enterprise funds, the Philadelphia Regional Port Authority and the **Commonwealth Financing Authority**, blended component units at June 30, 2021 and changes during the fiscal year ended June 30, 2021 are as follows:

	Issue Dates	Interest Rates	Maturity Dates Through	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2021
REVENUE BONDS PAYABLE							
Philadelphia Regional Port Authority	2008	3.00-5.00%	2021	\$ 4,495	\$ —	\$ 4,495	\$ —
Commonwealth Financing Authority	2005-20	0.55-6.40%	2042	4,273,600	370,415	149,545	4,494,470
Total principal obligations				4,278,095	370,415	154,040	4,494,470
Less: unamortized bond discount				(3,151)	—	(179)	(2,972)
Add: unamortized bond premium				142,579	5,126	11,881	135,824
TOTAL REVENUE BONDS PAYABLE				<u>\$ 4,417,523</u>	<u>\$ 375,541</u>	<u>\$ 165,742</u>	<u>\$ 4,627,322</u>

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

REVENUE BONDS PAYABLE	For the fiscal year ending June 30,						
	2022	2023	2024	2025	2026	2027-31	2032-36
Commonwealth Financing Authority							
Principal and Interest	\$ 332,841	\$ 332,934	\$ 331,861	\$ 331,798	\$ 316,544	\$ 1,645,026	\$ 1,838,076
Less: Interest Payments	(195,231)	(189,034)	(181,966)	(174,783)	(167,184)	(722,636)	(469,696)
TOTAL PRINCIPAL OBLIGATIONS	<u>\$ 137,610</u>	<u>\$ 143,900</u>	<u>\$ 149,895</u>	<u>\$ 157,015</u>	<u>\$ 149,360</u>	<u>\$ 922,390</u>	<u>\$ 1,368,380</u>
	2037-41	2041-42	Total				
Commonwealth Financing Authority							
Principal and Interest	\$ 1,470,085	\$ 159,975	\$ 6,759,140				
Less: Interest Payments	(159,430)	(4,710)	(2,264,670)				
TOTAL PRINCIPAL OBLIGATIONS	<u>\$ 1,310,655</u>	<u>\$ 155,265</u>	<u>\$ 4,494,470</u>				

NOTE 7 - SHORT-TERM DEBT

On October 21, 2020, the Commonwealth entered into a line of credit agreement with a financial institution, with a maximum principal amount of \$2,500,000, in order to provide funding for the general purposes of the Commonwealth and such other expenses payable from the **General Fund**. Advances were available to be made under the line of credit until March 31, 2021, and repayment of those advances was due and payable not later than June 30, 2021. An advance of \$800,000 was made to the **General Fund** on October 28, 2020. Advances made under the line of credit were secured by Tax Anticipation Notes, Series 2020-2021, issued on October 21, 2020, with an aggregate principal amount of \$2,500,000. The notes were payable from and secured by the pledge of revenues received in the **General Fund** during the fiscal year ended June 30, 2021. This obligation, due and payable not later than June 30, 2021, was repaid, along with interest in the amount of \$1,495, on April 1, 2021.

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2021</u>
Line of Credit	\$ —	\$ 800,000	\$ 800,000	\$ —

NOTE 8 - SELF-INSURANCE LIABILITIES

The Commonwealth is self-insured for statutory workers’ compensation, which includes indemnity and medical benefits (employee disability), for its employees injured on the job. The Commonwealth is also self-insured for annuitant medical/hospital claims and for tort liability claims. Major tort risks include automobile, employee, and general torts. For property losses, the Commonwealth has a \$2,500 retention with excess commercial insurance coverage up to \$1,000,000 per occurrence. The Commonwealth is also self-insured for claims against the Department of Transportation (transportation claims). The Commonwealth has established various administrative policies that are intended to avoid or limit the aforementioned risks. Accrued liabilities for statutory workers’ compensation and annuitant medical/hospital claims are established based on reserves computed from the Commonwealth’s claim experience; such claims are not discounted and do not include non-incremental claims adjustment expenses.

Accrued liabilities for tort and transportation claims are established based on reserves computed from the Commonwealth’s claim experience; such claims are not discounted and do not include non-incremental claims adjustment expenses. These liabilities include liabilities for allocated claim adjustment expenditures/expenses and include salvage and subrogation. Salvage and subrogation were not material for the fiscal year ended June 30, 2021. No accrued liability has been reported for property losses under self-insurance.

There were no reductions in commercial insurance coverage during the fiscal year ended June 30, 2021. No settlements exceeded commercial insurance coverage during any of the past three fiscal years.

At June 30, 2021, none of the \$1,113,216 of accrued self-insurance liabilities for governmental activities were payable from current expendable available financial resources. The governmental activities liabilities are primarily owed by the **General Fund** (\$901,965) and the **Motor License Fund** (\$180,442). Business-type activities liabilities are primarily owed by the **State Lottery Fund** (\$1,756), the **State Workers’ Insurance Fund** (\$832), and the **State Stores Fund** (\$66,940), all enterprise funds. All accrued self-insurance liabilities at June 30, 2021 are summarized as follows:

	<u>Government Activities</u>		<u>Business-Type Activities</u>	
	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>
Employee disability	\$ 94,808	\$ 886,571	\$ 6,863	\$ 64,172
Automobile tort	2,265	7,278	—	—
Employee tort	10,514	49,100	—	—
General tort	1,286	9,545	—	—
Transportation	7,558	44,291	—	—
Totals	<u>\$ 116,431</u>	<u>\$ 996,785</u>	<u>\$ 6,863</u>	<u>\$ 64,172</u>

NOTE 8 - SELF-INSURANCE LIABILITIES (continued)

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

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

The following summary provides aggregated information on June 30, 2019 self-insurance liabilities; incurred claims and payments during the fiscal year ended June 30, 2020; and reported self-insurance liabilities at June 30, 2020:

	June 30, 2019	Incurred Claims		Payments		June 30, 2020
	Liability	Current	Prior	Current	Prior	Liability
Employee disability	\$ 1,064,946	\$ 90,787	\$ (30,215)	\$ 11,030	\$ 103,595	\$ 1,010,893
Automobile tort	9,990	3,023	(580)	912	1,888	9,633
Employee tort	51,885	12,121	(186)	265	5,529	58,026
General tort	11,675	1,103	(211)	36	1,367	11,164
Transportation	58,465	5,788	(9,273)	780	5,987	48,213
Totals	<u>\$ 1,196,961</u>	<u>\$ 112,822</u>	<u>\$ (40,465)</u>	<u>\$ 13,023</u>	<u>\$ 118,366</u>	<u>\$ 1,137,929</u>

NOTE 9 - PENSION

Pension Systems

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

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

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

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

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

	<u>SERS</u>	<u>PSERS</u>	<u>Total</u>
Net Pension Liability	\$ 15,335,771	\$ 303,115	\$ 15,638,886
Deferred outflows of resources	\$ 3,327,464	\$ 47,196	\$ 3,374,660
Deferred inflows of resources	\$ 2,344,968	\$ 7,438	\$ 2,352,406
Net Pension expense	\$ 1,640,221	\$ 34,842	\$ 1,675,063

State Employees’ Retirement System - Defined Benefit

Plan Description: The SERS is the administrator of a cost-sharing multiple-employer defined benefit retirement plan established to provide retirement benefits for Commonwealth employees and certain other organizations. At December 31, 2020 there were 102 employer state agencies and other organizations participating in the SERS.

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

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

NOTE 9 - PENSION (continued)

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

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

Contributions to the SERS defined benefit plan from the Commonwealth, including PRPA (a blended component unit) were \$1,825,640 for the year ended June 30, 2021.

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

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

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

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

NOTE 9 - PENSION (continued)

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2021, the Commonwealth reported a total net pension liability of \$15,335,771 for its participation in the SERS Defined Benefit Plan. The net pension liability attributed to participation in the SERS was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commonwealth’s proportion of the SERS net pension liability was based on a projection of the Commonwealth’s long-term share of contributions to the pension plan relative to the projected contributions of all participating SERS employers, actuarially determined. At December 31, 2020 the Commonwealth’s reported proportionate share of the SERS net pension liability was 89.03%, which was an increase of 6.21% from its proportion measured as of December 31, 2019. Liabilities are funded through the payroll complement rates within each fund. The **General Fund** and **Motor License Fund** funded 83.87% and 11.53%, respectively, of the Commonwealth’s governmental activities pension contributions for the calendar year ended December 31, 2020.

As of June 30, 2021, the Commonwealth recognized a defined benefit pension expense of \$1,640,221, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS (December 31, 2020)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 143,984	\$ 17,201
Differences between employer contributions and proportionate share	26,604	25,648
Net difference between projected and actual earnings on plan investments	—	1,962,132
Changes of assumptions	1,705,270	—
Changes in proportion	525,778	339,987
Contributions subsequent to measurement date	925,828	—
Total	\$ 3,327,464	\$ 2,344,968

The \$925,828 reported as deferred outflows of resources related to pensions resulting from Commonwealth contributions to the SERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	SERS (December 31, 2020)
2021	\$ (64,839)
2022	\$ 274,580
2023	\$ (344,285)
2024	\$ 117,173
2025	\$ 74,039

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

NOTE 9 - PENSION (continued)

The following methods and assumptions were used in the actuarial valuation for the December 31, 2020 measurement date.

Actuarial Cost Method	Entry age
Investment rate of return	7.00% net of expenses including inflation
Projected salary increases	Average of 4.60% with range of 3.30% to 6.95% including inflation
Asset valuation method	Fair (market) value
Inflation	2.50%
Mortality Rate	Projected PubG-2010 and PubNS-2010 Mortality Tables adjusted for actual plan experience and future improvement
Cost of living adjustments	None (ad hoc)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Defined Benefit Plan's target asset allocation as of December 31, 2020, are summarized in the following table:

SERS (December 31, 2020)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Private equity	14.00 %	6.25 %
Private credit	4.00 %	4.25 %
Real estate	8.00 %	5.60 %
U.S. equity	25.00 %	4.90 %
International developed markets equity	13.00 %	4.75 %
Emerging markets equity	4.00 %	5.00 %
Fixed income - core	22.00 %	1.50 %
Fixed income - opportunistic	4.00 %	3.00 %
Inflation protection (TIPS)	4.00 %	1.50 %
Cash	2.00 %	0.25 %
Total	100.00 %	

Discount rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary and as set by statute. Based on those assumptions, the Defined Benefit Plan fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active plan members. Therefore, the long-term expected rate of return on the Defined Benefit Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following chart presents the Commonwealth's proportionate share of the SERS net pension liability using the discount rate (7.00%), as well as what the Commonwealth's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
SERS (December 31, 2020)	\$ 20,363,326	\$ 15,335,771	\$ 11,085,659

NOTE 9 - PENSION (continued)

Payables to the Pension Plan: For the fiscal year ended June 30, 2021, the Commonwealth reported an accounts payable for the employer's share of retirement contributions to the SERS in the amount of \$77,629.

State Employees' Retirement System - Defined Contribution

Plan Description: The SERS is the administrator of the State Employees Defined Contribution Plan, an investment plan, which was established as part of Act 2017-5 to provide retirement benefits for employees of state government and certain independent agencies. Enrollment to the investment plan opened January 1, 2019.

Retirement Benefits: Act 2017-5 created a new A-5 hybrid class of service with optional hybrid A-6 class and straight defined contribution-only plan options for state employees (excluding most hazardous duty employees), who first enter SERS membership on or after January 1, 2019. Employees who enter SERS membership under Act 2017-5 enter as members of the A-5 class with a 45-day window to elect membership in the optional A-6 class or straight Defined Contribution Plan. The general annual benefit for Class A-5 members is 1.25% of an average of the highest five calendar years of the member's salary multiplied by years of service, while the Class A-6 benefit accrual rate is 1%. Those members choosing the straight Defined Contribution Plan do not have a benefit accrual rate and retire with their contributions, employer contributions, if vested, and any investment gains on those contributions.

Contribution Requirements: Participants in the A-5 class, A-6 class, and defined contribution-only plan option contribute 3.25%, 3.5%, and 7.5% to the plan, respectively. Participants may also make additional voluntary contributions to the plan. Employers contribute 2.25%, 2%, and 3.5% for participants in the A-5 class, A-6 class, and defined contribution-only plan option, respectively. Employers do not match participant voluntary contributions to the plan. Participants are also permitted to transfer or roll over monies into the plan from other qualified plans. While participant contributions are immediately vested, the employer contributions are not vested until a participant earns three eligibility points. Eligibility points are generally credited based on hours worked in a calendar year. If a participant terminates employment before earning three eligibility points, any unvested employer contributions are returned to the Defined Contribution Plan.

Pension expense, consisting of contributions to the SERS from the Commonwealth for the defined contribution plan, including PRPA (a blended component unit), was \$13,812 for the year ended June 30, 2021.

Public School Employees' Retirement System - Defined Benefit

Plan Description: The PSERS is a cost-sharing multiple-employer defined benefit retirement system established to provide pension and other benefits for public school employee members. At June 30, 2021 there were 769 participating employers, generally school districts. In relation to the PSERS, the Commonwealth is a non-employer contributor organization that recognizes a less than substantial portion of the PSERS collective net pension liability.

Retirement Benefits: The PSERS provides retirement, disability retirement, death, and health care benefits. Under the provisions of the 1975 revision of the Code by the Pennsylvania General Assembly, members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011 through June 30, 2019. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirements, Class TG and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

NOTE 9 - PENSION (continued)

Benefits are generally between 1% and 2.5%, depending upon membership class, of the member's final average salary (as defined in the Pennsylvania Public School Employees' Retirement Code) multiplied by the number of years of credited service. A member's right to a defined benefit is vested in 5 to 10 years depending on membership class.

Contribution Requirements: The Public School Employees' Retirement Code provides that the PSERS Board has the authority to establish or amend periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll. According to requirements established in Act 29 of 1994, the Commonwealth reimburses school entity employers a portion of the employer contributions paid to the PSERS. All school entity employers are reimbursed by the Commonwealth at least 50% of the total employer contributions based on the total contribution rate. The Commonwealth remits 50% of employer contributions for employers other than school entities directly to the PSERS resulting in a special funding situation.

The contribution rates for active plan memberships started prior to July 1, 2011 are as follows:

- Membership Class T-C and T-D hired before July 22, 1983 are 5.25% and 6.50% of covered payroll, respectively;
- Membership Class T-C and T-D hired after July 21, 1983, the rates are 6.25% and 7.50%, respectively.

The contribution rates for active plan memberships started on or after July 1, 2011 and before July 1, 2019 are as follows:

- Membership Class T-E base rate is 7.50% with a shared risk provision providing for a 5.50% minimum and 9.50% maximum;
- Membership Class T-F base rate is 10.30% with a shared risk provision providing for an 8.30% minimum and 12.30% maximum.

The contribution rates for active plan memberships started on or after July 1, 2019 are as follows:

- Membership Class T-G base rate is 5.50% with a shared risk provision providing for a 2.50% minimum and 8.50% maximum.;
- Membership Class T-H base rate is 4.50% with a shared risk provision providing for a 1.50% minimum and 7.50% maximum.

Contributions to the PSERS from the Commonwealth for the employers other than school entities were \$28,532 for the year ended June 30, 2021.

Summary of Significant Accounting Policies: The financial statements of the PSERS are prepared on the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. Member and employer contributions are recognized in the period for which employees' salaries are reported. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investment Valuation: The PSERS' investments are reported at fair value. Fair value is the amount that the PSERS can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale.

Short-term securities are carried at cost, which approximates fair value, unless they have published market prices or quotations from national securities exchanges or securities pricing services, in which case they are valued at the published market price. Fixed income securities and common and preferred stocks are generally valued based on published market prices and quotations from national securities exchanges or securities pricing services. Securities which are not traded on a national securities exchange are valued by the respective fund manager or other third parties based on similar sales.

Directly-owned real estate investments are primarily valued based on appraisals performed by independent appraisers and, for properties not appraised, the present value of the projected future net income stream is used. Real estate owned investments are reported net of related debt borrowed against the market value of the property. As of June 30, 2021 \$132,000 in an open-ended repurchase agreement were netted against the related property valuation. The agreements were payable at an interest rate equivalent to one month of the LIBOR plus 40 basis points until February 2021 when the interest rate was changed to one month LIBOR plus 25 basis points. The agreements are collateralized by certain fixed income investments of the PSERS.

NOTE 9 - PENSION (continued)

Collective trust fund investments (CTF) consist primarily of domestic and international institutional funds. The fair value of CTF is based on the reported share value of the respective fund. CTF are managed by state chartered banks for which various state banking departments have regulatory oversight and investment advisors for which regulatory agencies such as the Securities and Exchange Commission have regulatory oversight. Investments that are not subject to this oversight are subject to annual independent audits.

The fair value of equity real estate, private equity, private credit, private infrastructure investments and absolute return investments are determined using the NAV per share (or its equivalent) of the PSERS' ownership interest in partners' capital.

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

At June 30, 2021, the Commonwealth reported a liability of \$303,115 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commonwealth's proportion of the net pension liability was calculated by dividing the plan's total covered payroll by the sum of all employers' covered payroll. The Commonwealth remits directly to the PSERS 50% of the employer contributions for employers other than school entities. At June 30, 2020 the Commonwealth's proportion was .6156%, which was a decrease of .0003% from its proportion measured as of June 30, 2019.

As a result of its requirement to contribute to the PSERS, the Commonwealth recognized expense of \$34,842 for the year ended June 30, 2021. At June 30, 2021 the Commonwealth reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to the PSERS:

	PSERS (June 30, 2021)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience.....	\$ 793	\$ 7,265
Differences between employer contributions and proportionate share	—	146
Net difference between projected and actual earnings on plan investments	13,322	—
Changes in proportion.....	4,549	27
Contributions subsequent to measurement date.....	28,532	—
Total	\$ 47,196	\$ 7,438

Public School Employees' Retirement System - Defined Contribution

Plan Description: The PSERS is the administrator of the Public School Employees Defined Contribution (DC) plan, an investment plan, which was established as part of Act 2017-5 to provide retirement benefits for public school employees.

Retirement Benefits: Act 2017-5 introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 2017-5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). The DC plan retirement benefit is based on the amount of contributions in the account and any investment performance less expenses. DC member contributions and employer contributions, and any investment earnings, are available for members to withdraw when a member terminates employment or retires. DC account balances can grow based on investment earnings; however DC account balances are not guaranteed against loss in declining investment markets.

Contribution Requirements:

Members hired after July 1, 2019 have a portion of each member and employer contribution to the system set aside for the DC plan. Member and employer rates are set by statute. A member may elect to make additional voluntary post-tax member contributions.

- Membership Class T-G defined contribution rates are 2.75%;
- Membership Class T-H defined contribution rates are 3.00%
- Membership Class DC defined contribution rates are 7.50%

Pension expense, consisting of contributions to the PSERS from the Commonwealth for the defined contribution plan, was negligible for the year ended June 30, 2021.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Commonwealth of Pennsylvania participates in six postemployment benefit plans other than pensions (OPEB). The Commonwealth participates as an employer in five plans: The Retired Employees Health Program (REHP), the Retired Pennsylvania State Police Program (RPSPP), the Unified Judicial System's Postemployment Medical Plan (Judiciary), Pennsylvania House of Representatives Postemployment Benefits Plan (House), and the Senate of Pennsylvania Other Postemployment Benefits Plan (Senate). The Commonwealth participates as a governmental nonemployer contributing entity in the Public School Employees' Retirement System Health Insurance Premium Assistance Program (Premium Assistance).

Plan Administration: The Commonwealth established and sponsors two primary plans which provide postemployment benefits other than pensions (OPEB). These two plans are the REHP and the RPSPP and both are established as trust equivalent arrangements. These two plans are administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF), which acts as a third-party administrator for the REHP and RPSPP under an administrative agreement with the Commonwealth. Both plans are single-employer defined benefit OPEB plans that include Commonwealth agencies and some component units. The REHP is provided as a part of collective bargaining agreements with most Commonwealth labor unions. The RPSPP is provided as a part of collective bargaining agreements with certain Commonwealth labor unions. All policy decisions and types and levels of benefits for the REHP and RPSPP fall under the purview of the Commonwealth's Executive Board, Secretary of Administration, and for the RPSPP the collective bargaining agreement with the Pennsylvania State Troopers Association. Neither the REHP nor the RPSPP have a governing board. The REHP offers postemployment healthcare and prescription benefits. The RPSPP offers postemployment healthcare, prescription, vision and dental benefits.

The Judiciary has established and sponsors their own single-employer defined-benefit OPEB plan. A trust or equivalent arrangement meeting the requirements of GASB 74 has not been established for the Judiciary OPEB plan and assets have not been accumulated to fund OPEB. All policy decisions related to the types and levels of benefits including changes to benefit terms and authority to pay benefits as they come due for the Judiciary OPEB plan, fall under the purview of the Supreme Court. The Judiciary OPEB plan does not have a governing board. The Judiciary OPEB plan offers postemployment healthcare, prescription, vision, and dental benefits.

The House of Representatives has established and sponsors their own single-employer defined-benefit OPEB plan. A trust or equivalent arrangement meeting the requirements of GASB 74 has not been established for the House OPEB plan and assets have not been accumulated to fund OPEB. All policy decisions related to the types and levels of benefits including changes to benefit terms, and authority to pay benefits as they come due for the House OPEB plan, fall under the purview of the House of Representatives. The House OPEB plan does not have a governing board. The House OPEB plan offers postemployment healthcare, prescription and for certain members vision, dental and long-term care benefits.

The Senate has established and sponsors their own single-employer defined-benefit OPEB plan. A trust or equivalent arrangement meeting the requirements of GASB 74 has not been established for the Senate OPEB plan and assets have not been accumulated to fund OPEB. All policy decisions related to the types and levels of benefits including changes to benefit terms, and authority to pay benefits as they come due for the Senate OPEB plan, fall under the purview of the Senate. The Senate OPEB plan does not have a governing board. The Senate OPEB plan offers postemployment healthcare, prescription and for certain members vision and dental benefits.

The Premium Assistance plan is a governmental cost sharing, multiple-employer other postemployment benefit plan for all public school eligible retirees who qualify and elect to participate. The Premium Assistance plan is under the control and management of the Board of Trustees of the Public School Employees Retirement System, including the investment of its assets, and all policy decisions related to types and levels of benefits, and authority to pay benefits as they come due. As of June 30, 2020, there were no assumed future benefit increases to participating members of the Premium Assistance plan.

Benefits Provided: Benefit provisions included in the REHP, Judiciary, House, and Senate plans are established and may be amended by the establishing sponsor of the given OPEB plan. The RPSPP, under the terms of the collective bargaining agreement, cannot be amended for existing retirees. The Commonwealth's General Assembly has the authority to amend the benefit terms of the Premium Assistance plan. Each OPEB plan provides postemployment healthcare and prescription benefits to varying degrees. The RPSPP, Judiciary, House and Senate provide specific dental, hearing, vision, and long-term care benefits. RPSPP benefits are provided in accordance with the collective bargaining agreement that was in effect at the time of retirement. The REHP, RPSPP, Judicial, House, and Senate OPEB plans do not issue stand-alone financial reports and are not included in the financial statements of a public employee retirement system. The Premium Assistance OPEB plan is reported

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

in the Public School Employees Retirement System Annual Comprehensive Financial Report which can be found at www.psers.pa.gov.

Eligibility and Retiree Contributions:**REHP**

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

- 25 or more years of service;
- 20 or more years of service and superannuation age - age 50 for Park Rangers, Capitol Police and certain enforcement officers or age 60 for all other employees (age 55 or 65 for employees subject to Act 120 of 2010);
- Disability retirement - requires five years of service (no service requirements for enforcement officers).
- For employees who retired after June 30, 2005 and before July 1, 2007 the retiree contribution is set at 1% of employee's final annual salary. Most Commonwealth employees who retired on or after July 1, 2007 but before July 1, 2011 are currently required to pay retiree contributions of 3% of either their final annual salary or final average salary, whichever is less. Most employees who retire on or after July 1, 2011 are currently required to pay retiree contributions of 3% of their final average salary. Upon enrollment in Medicare, Commonwealth employees who are currently paying 3% will pay retiree contributions of 1.5% of either their final annual salary or final average salary, whichever applies.

RPSPP

Permanent enlisted employees of the Pennsylvania State Police who retire from the Commonwealth and meet one of the following eligibility criteria are eligible to receive RPSPP benefits:

- Superannuation retirement (excluding vested employees) - age 50 (age 55 for employees subject to Act 120 of 2010) with three years of service;
- Retirement with at least 25 years of Commonwealth service;
- Retirement with at least 20 but less than 25 years of service, with at least 10 years of enlisted service with State Police (military time, civilian service with another Commonwealth agency are not considered service with the State Police);
- Disability retirement - no service requirement.
- RPSPP plan members are not required to make contributions.

Judicial

Eligible employees (members and staff) who retire from the Unified Judicial System and meet one of the following eligibility criteria are eligible to receive Judicial benefits:

- Staff:
 - Prior to attaining age 60 and retiring before/after January 1, 2001:
 - The retiree will pay 100% of the premium if retiring with less than 20/25 years of total service and less than 3/5 years of judiciary service.
 - The retiree will pay 75% of the premium if retiring with less than 20/25 years of service and more than 3/5 years of judiciary service.
 - The retiree will pay between 75% and 25% of the premium if retiring with 20/25 years or more of service and less than 3/5 years of judiciary service.
 - The retiree will pay 1% of pension if retiring with 20/25 years or more of service and more than 3/5 years of judiciary service.
 - After attaining age 60 and retiring before/after January 1, 2001:
 - The retiree will pay 100% of the premium if retiring with less than 10/15 years of total service and less than 3/5 years of judiciary service.
 - The retiree will pay 75% of the premium if retiring with less than 10/15 years of service and more than 3/5 years of judiciary service.
 - The retiree will pay between 75% and 25% of the premium if retiring with 10/15 years or more of service and less than 3/5 years of judiciary service.
 - The retiree will pay 1% of pension if retiring with 10/15 years or more of service and more than 3/5 years of judiciary service.

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

- Judges/ District Justices:
 - Prior to attaining age 60:
 - The retiree will pay 1% of pension/75% of the premium if retiring with more than 10 and less than 18 years of judiciary service.
 - The retiree will pay 1% of pension if retiring with more than 18 years of judiciary service.
 - After attaining age 60:
 - The retiree will pay 75% of the premium if retiring with more than 3 and less than 10 years of judiciary service.
 - The retiree will pay 1% of pension if retiring with more than 18 years of judiciary service.

House

Eligible employees (members and staff) who retire from the House of Representatives and meet one of the following eligibility criteria are eligible to receive House benefits:

- Members:
 - Age 49 or younger with at least 10 years of creditable service, but less than 10 years as a legislator:
 - The House will pay \$5 per month towards the premium for Medical and prescription drug coverage. The retiree must pay the remainder.
 - Age 49 or younger with at least 10 years as a legislator (after December 1, 1992 any creditable service), age 50 or older with at least 10 years of creditable service or member retired under disability with at least 5 years of SERS eligible service:
 - The House will pay 100% of the premiums. Beginning 2012, the retiree must contribute 1% of the retiree's final salary. Members that retired prior to November 30, 1980 are eligible for medical and prescription drug coverage. Members that retired after December 1, 1980 are eligible for medical, prescription drug, vision and dental coverage. Members that retired after December 1, 1992 are eligible for medical, prescription drug, vision, dental and long-term health care coverage.
- Staff:
 - Age 59 or younger with between 10 to 24 years of creditable service:
 - The House will pay \$5 per month towards the premium for medical and prescription drug coverage.
 - Age 60 or older with at least 10 years of creditable service or at least 25 years of creditable service:
 - The House will pay 100% of the premiums for medical and prescription drug coverage. If the retiree has at least 12.5 years of legislative service and the last 3 years are as an employee of the House, the retiree will receive 100% paid vision and dental coverage. Beginning January 1, 2012, the retiree must contribute 1% of the retiree's final salary annually.

Senate

Eligible employees (members and staff) who retire from the Senate and meet one of the following eligibility criteria are eligible to receive Senate benefits:

- Option 1
 - For employees hired prior to October 3, 2006, individuals must have 25 years of credited service, of which 12 ½ years of such credited service were with the Legislature, and further provided that the last three (3) continuous years (4,950 hours) of credited service were with the Senate.
 - For employees hired on or after October 3, 2006, individuals must have 30 years of credited service, of which 20 years of such credited service were with the Senate and had at least 5 continuous years of credited service with the Senate.
 - Retiree contribution rates are based on salary with rates equal to 1% of their final salary for all benefits.
- Option 2
 - For employees hired prior to October 3, 2006, individuals must be a minimum of age 60 with 10 or more years of credited service and worked for the Senate for at least 18 continuous months in the most recent employment period with the Senate.
 - For employees hired on or after October 3, 2006, individual must be a minimum of age 60 with 20 or more years of credited service and worked for the Senate for at least 5 continuous years in the most recent employment period with the Senate.
 - Retiree contribution rates are based on salary with rates equal to 1% of their final salary for all benefits.

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

GASB 74 Plan Reporting

REHP and RPSPP

Plan Membership: At June 30, 2021, the REHP and the RPSPP OPEB plan membership consisted of the following (actual number of plan members):

	Census date:	
	REHP	RPSPP
Inactive plan members or beneficiaries currently receiving benefit payments	64,251	5,360
Inactive plan members entitled to but not yet receiving benefit payments	18,188	—
Active plan members	68,336	4,561
Total all plan members	150,775	9,921

Employer Contributions: REHP employer contributions are contractually required and established by the Office of Administration and the Office of the Budget. All participating agencies and certain plan members must contribute specified amounts to the REHP. During the fiscal year ended June 30, 2021, almost all REHP participating agencies contributed \$230 (whole dollars) for each current active REHP eligible employee per biweekly pay period to fund the REHP. Several participating agencies contribute under different but comparable payment arrangements.

RPSPP employer contribution requirements are established by the Office of Administration and the Office of the Budget. During the fiscal year ended June 30, 2021 participating agencies contributed \$1,288 (whole dollars) for each current RPSPP eligible active employee per biweekly pay period to fund the RPSPP.

The REHP and RPSPP funding rates needed to fund current year annuitant health care costs are established as part of the Commonwealth’s annual budgeting process. During the fiscal year ended June 30, 2021, the Commonwealth funded \$401,879 (estimated) of annuitant health care claims and administrative costs for the REHP and \$157,772 (estimated) of annuitant health care claims and administrative costs for the RPSPP, respectively. Any additional contributions to advance fund annuitant health care liabilities are determined annually by the Commonwealth. During the fiscal year ended June 30, 2021, advance funding of \$50,000 for REHP and \$1,000 for the RPSPP was contributed to the Other Postemployment Benefits Investment Pool, a pension (and other employee benefit) trust fund. Determinations of advance funding amounts are evaluated annually. The REHP and RPSPP maintain reserves for claims that are Incurred But Not Paid. At June 30, 2021, the REHP and RPSPP recorded \$24,353 and \$8,306, respectively.

Specific Actuarial Assumptions: The total OPEB liability was determined by an actuarial valuation with a measurement date as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	REHP	RPSPP
Actuarial cost method	Entry age normal	Entry age normal
Method used to determine actuarial value of assets	Market value	Market value
Investment returns	6.8%	5.0%
Inflation rate assumption	2.5%	2.5%
Payroll growth	2.8%	2.8%
Cost of living adjustment	N/A	N/A
Healthcare cost trend rates:		
Medicare retiree	6.7% for 2021 decreasing to an ultimate rate of 4.0% for 2075 and later years	5.5% for 2021 decreasing to an ultimate rate of 4.0% for 2075 and later years
Non-Medicare retiree	6.9% for 2021 decreasing to an ultimate rate of 4.0% for 2075 and later years	6.5% for 2021 decreasing to an ultimate rate of 4.0% for 2075 and later years

Pre-retirement mortality rates were based on the Pub-2010 General Employees Headcount Weighted Mortality Tables, and adjusted for mortality improvements using MP-2020. Post retirement mortality rates for healthy participants were based on Pub-2010 General Employees Headcount Weighted Mortality Tables, with rates set forward one year for females, and adjusted for mortality improvements using projection scale MP-2020. Post retirement mortality rates for disabled participants were based on Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Tables, with rates set forward two years for males and females, and adjusted for mortality improvements using projection scale MP-2020.

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the State Employees’ Retirement System (SERS) experience study that covered the years 2015 through 2019. The approved recommendations from that study were used to determine the assumptions for this valuation, where applicable. The inflation assumption was selected by the SERS Board during a July 2020 meeting based on a review of actual plan experience and the prevalent economic outlook. Consistent with prior valuations, these demographic assumptions assume beginning of year decrements (retirement, withdrawal, death, disability, etc.). For the employers that contribute to the REHP plan in accordance with a special contribution arrangement, the withdrawal assumption is increased by a factor of 1.67 for one year of service or less and increased by 8.35 percentage points for service of 2 years through 9 years.

Investments: The assets of both the REHP and RPSPP are managed by the Commonwealth’s Treasury Department in an investment pool. The OPEB investments are made based upon an interagency agreement, dated June 17, 2008, and the prudent investor standard set forth in the Commonwealth of Pennsylvania’s fiscal code 72P.S.30.1, amendment to the fiscal code, the Principles of Prudent Investors Standards.

Asset Class	REHP	RPSPP
	Target Allocation	Target Allocation
Domestic equity	40.00%	40.00%
International equity	27.00%	27.00%
Fixed income	23.00%	23.00%
Real estate	8.00%	8.00%
Cash and cash equivalents	1.50%	1.50%
Private equity	0.50%	0.50%
Total	100.00%	100.00%

Concentration: Based on a portfolio value of \$690,874 for the REHP and \$147,122 for the RPSPP, the following investment concentrations existed as of June 30, 2021. In order to achieve the target return and to keep costs low, asset classes have been populated with Exchange-Traded Funds (ETFs) and low cost mutual funds.

Issuer Name	REHP		RPSPP	
	Amount	% of Total Portfolio	Amount	% of Total Portfolio
ISHARES	\$ 268,870	38.92 %	\$ 57,256	38.92 %
SDPR S&P 500	196,769	28.48 %	41,902	28.48 %
VANGUARD	146,884	21.26 %	31,279	21.26 %
MACQUARIE	41,064	5.94 %	8,745	5.94 %
PACIFIC ASSET MGMT	27,248	3.94 %	5,802	3.94 %
TREASURY OPEB FUND	6,479	0.94 %	1,380	0.94 %
PPC LLC	3,560	0.52 %	758	0.52 %
Total	\$ 690,874	100.00 %	\$ 147,122	100.00 %

Rate of Return: For the year ended June 30, 2021, the annual rate of return on investments, net of investment expense was 31.44%. The rate of return expresses investment performance, net of investment expense, adjusted for changing amounts invested.

The long-term expected rate of return on OPEB plan investments is determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over long periods of time to come up with an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

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

Asset Class	Long-Term Expected Real Rate of Return	
	REHP	RPSPP
Private equity	9.30%	9.30%
International equity	6.30%	6.30%
Domestic equity	5.80%	5.80%
Real estate	5.10%	5.10%
Fixed income	2.10%	2.10%
Cash and cash equivalents	0.40%	0.40%

Net OPEB Liability: The net OPEB liability represents the liability of the employers contributing to the plan for benefits provided through a defined benefit OPEB plan that is administered through a trust or trust equivalent. The components of the net OPEB liability for the participating employers at June 30, 2021 were as follows:

	REHP	RPSPP
Total OPEB liability	\$ 10,899,187	\$ 8,348,248
Plan fiduciary net position	(666,929)	(138,904)
Plan net OPEB liability	\$ 10,232,258	\$ 8,209,344
Plan fiduciary net position as a percentage of the total OPEB liability	6.12 %	1.66 %

Discount Rate: The discount rate used to measure the total OPEB liability of the REHP was 3.63% as of June 30, 2021. This single discount rate was based on the long-term expected rate of return on assets held in the OPEB investment pool and the 20-year Bond Buyer GO Index municipal bond rate as of the end of June 2021. Since REHP has insufficient assets to meet all future years' benefit payments of the current plan members, the long-term expected rate of return on the OPEB investment pool was applied to projected benefit payments through the last year in which the plan's Fiduciary Net Position is projected to be sufficient to meet projected benefit payments and the municipal bond rate was applied to all remaining future years to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each fiscal year-end assumed that employer contributions will be made based on the current funding policy for future years.

The discount rate used to measure the total OPEB liability of the RPSPP was 2.16% as of June 30, 2021. This single discount rate was based on the 20-year Bond Buyer GO Index municipal bond rate as of the end of June 2021. Since RPSPP has insufficient assets to meet next year's projected benefit payments, the municipal bond rate was applied to all periods of the projected benefit payments to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each fiscal year-end assumed that employer contributions will be made based on the current funding policy for future years.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability for the REHP and RPSPP plans of the Commonwealth, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percent higher than the current discount rate.

REHP	Discount Rate		
	1% Decrease		1% Increase
	2.63%	3.63%	4.63%
Net OPEB Liability	\$ 11,724,364	\$ 10,232,258	\$ 8,991,833

RPSPP	Discount Rate		
	1% Decrease		1% Increase
	1.16%	2.16%	3.16%
Net OPEB Liability	\$ 9,967,397	\$ 8,209,344	\$ 6,855,177

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

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability of the Commonwealth, as well as what the Commonwealth’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (decreasing to 3.0%) or one percentage point higher (decreasing to 5.0%) than the current healthcare cost trend rates.

<u>REHP</u>	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>5.9%/5.7%</u>	<u>6.9%/6.7%</u>	<u>7.9%/7.7%</u>
	<u>decreasing to 3.0%</u>	<u>decreasing to 4.0%</u>	<u>decreasing to 5.0%</u>
Net OPEB Liability	\$ 8,701,637	\$ 10,232,258	\$ 12,141,148

<u>RPSPP</u>	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>5.5%/4.5%</u>	<u>6.5%/5.5%</u>	<u>7.5%/6.5%</u>
	<u>decreasing to 3.0%</u>	<u>decreasing to 4.0%</u>	<u>decreasing to 5.0%</u>
Net OPEB Liability	\$ 6,785,685	\$ 8,209,344	\$ 10,080,252

PSERS OPEB Plans

The Public School Employees Retirement System (PSERS), a component unit, provides two voluntary postemployment healthcare programs for all eligible retired public school employees (annuitants) who qualify and elect to participate. The Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP).

Under the Premium Assistance employer contribution rates are established to provide reserves that are sufficient for the Premium Assistance benefits for each succeeding year. For June 30, 2021, the employer contribution to the Premium Assistance was 0.61% of the total employer contribution to the PSERS. Participating eligible annuitants are entitled to receive the lesser of \$100 per month or their out-of-pocket monthly health insurance premium.

The HOP is a voluntary health insurance program for the sole benefit of annuitants, spouses of annuitants, survivor annuitants and their dependents. The HOP is funded exclusively by the premiums paid by its participants. Participants may select among two self-funded Medicare supplement plans, three Medicare Rx plans, and multiple Medicare Advantage plans. Participants not eligible for Medicare have a choice of a self-funded high deductible indemnity plan and multiple managed care plans. The HOP maintains reserves for claims that are Incurred But Not Reported (IBNR) and for claim fluctuation for the self-funded benefit plans. At June 30, 2021, the PSERS recorded \$19,347 in IBNR.

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

GASB 75 Employer Reporting

Total OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense - All Plans

	REHP*	RPSPP*	Judiciary	House	Senate	Premium Assistance*	Total
OPEB liability							
Primary government	\$11,387,547	\$ 6,702,207	\$ 850,745	\$ 907,284	\$ 382,900	\$ 13,260	\$20,243,943
Discretely presented component units	\$ 842,154	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 842,154
Deferred outflows of resources							
Primary government	\$ 2,685,669	\$ 1,234,186	\$ 94,171	\$ 267,241	\$ 21,493	\$ 1,745	\$ 4,304,505
Discretely presented component units	\$ 209,008	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 209,008
Deferred inflows of resources							
Primary government	\$ 7,167,020	\$ 1,167,662	\$ 42,083	\$ 89,186	\$ 39,198	\$ 324	\$ 8,505,473
Discretely presented component units	\$ 502,628	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 502,628
OPEB (income) expense							
Primary government	\$ (1,170,552)	\$ 189,955	\$ 71,917	\$ 71,472	\$ 10,140	\$ 753	\$ (826,315)
Discretely presented component units	\$ (72,459)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (72,459)

*Administered through a trust

Plans Administered Through Trusts - REHP and RPSPP

Plan Membership: At June 30, 2020, the REHP and the RPSPP OPEB plan membership consisted of the following (actual number of plan members):

	Census date:	
	REHP	RPSPP
Inactive plan members or beneficiaries currently receiving benefit payments	64,509	5,303
Inactive plan members entitled to but not yet receiving benefit payments	17,425	—
Active plan members	69,070	4,530
Total all plan members	151,004	9,833

Employer Contributions: REHP employer contributions are contractually required and established by the Office of Administration and the Office of the Budget. All participating agencies and certain plan members must contribute specified amounts to the REHP. During the fiscal year ended June 30, 2020, almost all REHP participating agencies contributed \$230 (whole dollars) for each current, active REHP eligible employee per biweekly pay period to fund the REHP. Several participating agencies contribute under different but comparable payment arrangements.

RPSPP employer contribution requirements are established by the Office of Administration and the Office of the Budget. During the fiscal year ended June 30, 2020 participating agencies contributed \$1,288 (whole dollars) for each current RPSPP eligible active employee per biweekly pay period to fund the RPSPP. RPSPP plan members are not required to make contributions.

The REHP and RPSPP funding rates needed to fund current year annuitant health care costs are established as part of the Commonwealth’s annual budgeting process. During the fiscal year ended June 30, 2020, the Commonwealth funded \$415,137 (estimated) and \$141,448 (estimated) of annuitant health care claims and administrative costs for the REHP and RPSPP, respectively. Liabilities are funded through the payroll complement rates within each fund. The **General Fund** and **Motor License Fund** funded 77.83% and 16.79%, respectively, of the Commonwealth’s governmental activities REHP OPEB contributions for the fiscal year ended June 30, 2020. The **General Fund** and **Motor License Fund** funded 96.30% and 0.82%, respectively, of the Commonwealth’s governmental activities RPSPP OPEB contributions for the fiscal year ended June 30, 2020. Any additional contributions to advance fund annuitant health care liabilities are determined annually by the Commonwealth. During the fiscal year ended June 30, 2020, advance funding of \$50,000 for REHP and \$1,000 for the RPSPP

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

was contributed to the Other Postemployment Benefits Investment Pool, a pension (and other employee benefit) trust fund. Determinations of advance funding amounts are evaluated annually.

Net OPEB Liability: The net OPEB liability for both the REHP and the RPSPP was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

	REHP	RPSPP
Actuarial cost method	Entry age normal	Entry age normal
Method used to determine actuarial value of assets	Market value	Market value
Investment returns	5.00%	5.00%
Inflation rate assumption	2.60%	2.60%
Payroll growth	2.90%	2.90%
Cost of living adjustment	N/A	N/A
Healthcare cost trend rates:		
Medicare Retiree	6.1% for 2020 decreasing to an ultimate rate of 4.1% for 2075 and later years	5.2% for 2020 decreasing to an ultimate rate of 4.1% for 2075 and later years
Non-Medicare retiree	6.6% for 2020 decreasing to an ultimate rate of 4.1% for 2075 and later years	6.3% for 2020 decreasing to an ultimate rate of 4.1% for 2075 and later years

Mortality rates were based on the RP-2000 Male and Female Combined Health Mortality Tables projected (using Projection Scale AA) to 2016 for males and to 2020 for females, and then further adjusted to ensure sufficient margin improvement in certain age ranges. Disabled participants mortality rates were based on the RP-2000 Male and Female Disabled Retiree Mortality Tables projected (using Projection Scale AA) to 2021 for males and to 2017 for females. Each table includes a margin for future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2020 valuation were based on the State Employees’ Retirement System (SERS) experience study that covered the years 2011 through 2015. The approved recommendations from that study were used to determine the assumptions for this valuation, where applicable. The inflation assumption was selected by the SERS Board during an April 2017 meeting based on a review of actual plan experience and the prevalent economic outlook. Consistent with prior valuations, these demographic assumptions assume beginning of year decrements (retirement, withdrawal, death, disability, etc.). For the employers that contribute to the REHP plan in accordance with a special contribution arrangement, the withdrawal assumption is increased by a factor of 2.0 for one year of service or less and increased by 10 percentage points for service of 2 years through 9 years. Cost of living adjustments (COLA) may be granted on an ad hoc basis, there were no COLAs granted during the measurement period.

The long-term expected rate of return on OPEB plan investments is determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over long periods of time to come up with an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	
	REHP	RPSPP
Private equity	10.40 %	10.40 %
International equity	5.80 %	5.80 %
Domestic equity	5.60 %	5.60 %
Real estate	4.60 %	4.60 %
Fixed income	1.70 %	1.70 %
Cash and cash equivalents	0.90 %	0.90 %

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

Discount Rate: The discount rate used to measure the total OPEB liability was 2.21% as of June 30, 2020. This single discount rate was based on the 20-year Bond Buyer GO Index municipal bond rate as of the end of June 2019. Since REHP and RPSPP have insufficient assets to meet next year’s projected benefit payments, the municipal bond rate was applied to all periods of the projected benefit payments to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each fiscal year-end assumed that employer contributions will be made based on the current funding policy for future years.

Changes in the Net OPEB Liability:

REHP	PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)	(c)	(d)	(c)-(d)
Balance at June 30, 2019	\$ 10,015,349	\$ 377,130	\$ 9,638,219	\$ 730,044	\$ 27,490	\$ 702,554
Changes for the year:						
Service cost	326,501	—	326,501	24,146	—	24,146
Interest	355,104	—	355,104	26,261	—	26,261
Changes in assumptions	1,494,834	—	1,494,834	110,549	—	110,549
Difference between expected and actual experience	11,957	—	11,957	884	—	884
Benefit payments:						
Employer paid	(370,029)	(370,029)	—	(27,363)	(27,363)	—
Contributions:						
Employer	—	436,501	(436,501)	—	25,229	(25,229)
Administrative expenses	—	(5,276)	5,276	—	(390)	390
Net investment income:						
Expected investment earnings	—	20,172	(20,172)	—	1,492	(1,492)
Difference between projected and actual earnings	—	(17,945)	17,945	—	(1,327)	1,327
Change in proportionate share	(12,563)	(6,947)	(5,616)	9,697	6,933	2,764
Net Change	1,805,804	56,476	1,749,328	144,174	4,574	139,600
Balance at June 30, 2020	\$ 11,821,153	\$ 433,606	\$ 11,387,547	\$ 874,218	\$ 32,064	\$ 842,154

RPSPP	PRIMARY GOVERNMENT		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(e)	(f)	(e)-(f)
Balance at June 30, 2019	\$ 5,787,345	\$ 100,742	\$ 5,686,603
Changes for the year:			
Service cost	150,941	—	150,941
Interest	205,461	—	205,461
Changes in assumptions- discount rate	1,018,439	—	1,018,439
Difference between expected and actual experience	(216,290)	—	(216,290)
Benefit payments:			
Employer paid	(137,144)	(137,144)	—
Contributions:			
Employer	—	142,448	(142,448)
Administrative expenses	—	(559)	559
Net investment income:			
Expected investment earnings	—	5,154	(5,154)
Difference between projected and actual earnings	—	(4,096)	4,096
Net Change	1,021,407	5,803	1,015,604
Balance at June 30, 2020	\$ 6,808,752	\$ 106,545	\$ 6,702,207

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability for the REHP and the RPSPP OPEB plans of the Commonwealth, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

<u>REHP</u>	<u>Discount Rate</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>1.21%</u>	<u>2.21%</u>	<u>3.21%</u>
Net OPEB liability			
Primary Government	\$ 12,994,330	\$ 11,387,547	\$ 10,050,018
Discretely presented component units	\$ 960,982	\$ 842,154	\$ 743,238

<u>RPSPP</u>	<u>Discount Rate</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>1.21%</u>	<u>2.21%</u>	<u>3.21%</u>
Net OPEB liability	\$ 8,010,741	\$ 6,702,207	\$ 5,675,712

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the REHP and RPSPP OPEB plans Commonwealth, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

<u>REHP</u>	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>5.6% decreasing to 3.1%</u>	<u>6.6% decreasing to 4.1%</u>	<u>7.6% decreasing to 5.1%</u>
Net OPEB Liability			
Primary Government	\$ 9,678,717	\$ 11,387,547	\$ 13,522,814
Discretely presented component units	\$ 715,781	\$ 842,154	\$ 1,000,066

<u>RPSPP</u>	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>5.3% decreasing to 3.1%</u>	<u>6.3% decreasing to 4.1%</u>	<u>7.3% decreasing to 5.1%</u>
Net OPEB Liability	\$ 5,625,012	\$ 6,702,207	\$ 8,085,390

OPEB Expense and Deferred Outflows and Deferred Inflows: For the year ended June 30, 2020, the primary government recognized OPEB income of \$1,170,552 and expense of \$189,955 for the REHP and the RPSPP, respectively, and the discretely presented component units recognized OPEB income of \$72,459 for the REHP.

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

At June 30, 2020, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources are listed as follows:

REHP	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Primary Government	Discretely Presented Component Units	Primary Government	Discretely Presented Component Units
Employer contributions				
subsequent to measurement date	\$ 425,106	\$ 23,333	\$ —	\$ —
Changes in assumptions	1,477,384	109,259	(882,483)	(65,262)
Net difference between				
expected and actual plan experience	9,874	730	(5,463,882)	(404,074)
Net difference between				
projected and actual investment earnings	4,054	299	—	—
Changes in proportion	769,251	75,387	(820,655)	(33,292)
Total	\$ 2,685,669	\$ 209,008	\$ (7,167,020)	\$ (502,628)

RPSPP	Deferred Outflows of Resources	Deferred Inflows of Resources
	Employer contributions	
subsequent to measurement date	\$ 158,772	\$ —
Changes in assumptions	1,047,214	(373,792)
Net difference between		
expected and actual plan experience	—	(765,846)
Net difference between		
projected and actual earnings on investments	176	—
Changes in proportion	28,024	(28,024)
Total	\$ 1,234,186	\$ (1,167,662)

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

Deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date in the amounts of \$448,439 and \$158,772, for REHP and RPSPP, respectively, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

REHP		
Year ended June 30:	Primary Government	Discretely Presented Component Units
2021	\$ (1,837,039)	\$ (121,766)
2022	\$ (1,730,933)	\$ (113,919)
2023	\$ (1,224,499)	\$ (78,765)
2024	\$ (303,043)	\$ (18,029)
2025	\$ 189,057	\$ 15,526
Thereafter	\$ —	\$ —

RPSPP	
Year ended June 30:	Primary Government
2021	\$ (161,853)
2022	\$ (119,636)
2023	\$ (7,506)
2024	\$ 62,269
2025	\$ 131,811
Thereafter	\$ 2,667

Plans Not Administered Through Trusts - Judiciary, House and Senate

Plan Membership: The Judiciary, House, and Senate OPEB plan membership consisted of the following (actual number of plan members):

	Census date:	January 1, 2020	July 1, 2020	July 1, 2019
		Judiciary	House	Senate
Inactive plan members or beneficiaries currently receiving benefit payments		1,552	1,246	489
Inactive plan members entitled to but not yet receiving benefit payments		—	—	—
Active plan members		1,932	1,688	784
Total all plan members		<u>3,484</u>	<u>2,934</u>	<u>1,273</u>

Employer Contributions: During the fiscal year ended June 30, 2021, the Judiciary funded \$23,877 of annuitant health care claims and administrative costs. The contribution policy of the Judiciary is to pay OPEB benefits as they come due. The Judiciary does not prefund its OPEB. The authority to pay OPEB benefits as they come due for the Judiciary OPEB plan, fall under the purview of the Supreme Court.

During the fiscal year ended June 30, 2021, the House funded \$20,625 of annuitant health care claims and administrative costs. The contribution policy of the House is to pay OPEB benefits as they come due. The authority to pay OPEB benefits as they come due fall under the purview of the House.

During the fiscal year ended June 30, 2021, the Senate funded \$9,649 of annuitant healthcare claims and administrative costs. The contribution policy of the Senate is to pay OPEB benefits as they come due. The authority to pay OPEB benefits as they come due fall under the purview of the Senate.

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

Total OPEB Liability: The Judiciary, House and Senate reported a total OPEB liability for the fiscal year ended June 30, 2021. The valuation date and measurement date differed for each plan.

	Judiciary	House	Senate
Total OPEB liability reported June 30, 2021	\$ 850,745	\$ 907,284	\$ 382,900
Valuation date	June 30, 2020	July 1, 2020	July 1, 2019
Measurement date	June 30, 2021	July 1, 2020	June 30, 2021

Actuarial Assumptions and Other Inputs: The total OPEB liability in the GASB 75 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	Judiciary	House	Senate
Inflation	N/A	N/A	N/A
Salary increases	3.00 %	2.80 %	3.50 %
Discount rate	2.18 %	1.86 %	2.09 %
Healthcare cost trend rates	5.50% to 4.00%	5.50% to 4.00%	7.00% to 4.50%
Retirees share of benefit-related costs	1% to 100%	1.00 %	1.00 %
Cost of living adjustments	N/A	N/A	N/A

The discount rate was based on:

- Judiciary- S&P Municipal Bond 20-year High Grade Rate Index at June 30, 2021
- House- S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2020
- Senate- An average of three 20-year bond indices (Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate index, Fidelity GA AA 20 Years) as of June 30, 2021.

Mortality rates were based on:

- Judiciary- the RP-2000 Healthy Annuitant Mortality Table for Males or Females using projection scale AA.
- House- SERS defined benefit pension plan actuarial valuation
- Senate- the Society of Actuaries Mortality Improvement Scale MP-2019

Changes in the Total OPEB Liability:

	Judiciary (June 30, 2021)	House (June 30, 2020)	Senate (June 30, 2021)
Total OPEB liability at beginning of fiscal year	\$ 760,309	\$ 601,923	\$ 354,581
Changes for the year:			
Service cost	38,760	28,086	6,175
Interest	20,911	20,793	7,310
Changes of benefit terms	—	6,140	—
Differences between expected and actual experience	—	(4,000)	—
Changes in assumptions or other inputs	54,642	274,967	24,483
Benefit payments	(23,877)	(20,625)	(9,649)
Net Changes	90,436	305,361	28,319
Total OPEB liability at end of fiscal year	\$ 850,745	\$ 907,284	\$ 382,900

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the Judiciary, House and Senate, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

Total OPEB liability	Discount Rate	1% Decrease	@ Discount Rate	1% Increase
Judiciary	2.18 %	\$ 983,351	\$ 850,745	\$ 742,520
House	1.86 %	\$ 1,082,890	\$ 907,284	\$ 769,748
Senate	2.09 %	\$ 466,427	\$ 382,900	\$ 320,526

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the Judiciary, House and Senate, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates.

Total OPEB liability	Healthcare Cost Trend Rate	1% Decrease	@ Healthcare Cost Trend Rate	1% Increase
Judiciary	5.50% to 4.00%	\$ 717,587	\$ 850,745	\$ 1,019,937
House	5.50% to 4.00%	\$ 748,131	\$ 907,284	\$ 1,118,733
Senate	7.00% to 4.50%	\$ 312,747	\$ 382,900	\$ 477,179

OPEB Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to OPEB: For the year ended June 30, 2021, the Judiciary, House and Senate recognized OPEB expense of \$71,917, \$71,472 and \$10,140, respectively. At June 30, 2021, the Judiciary, House and Senate reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Judiciary	House	Senate	Judiciary	House	Senate
Changes in assumptions or other inputs	\$ 94,171	\$ 244,151	\$ 21,493	\$ —	\$ 32,777	\$ 39,198
Contributions subsequent to measurement date	—	23,090	—	—	—	—
Differences between expected and actual experience	—	—	—	42,083	56,409	—
Total	\$ 94,171	\$ 267,241	\$ 21,493	\$ 42,083	\$ 89,186	\$ 39,198

The House's \$23,090 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Judiciary	House	Senate
Year ended June 30:			
2022	\$ 12,245	\$ 16,451	\$ (3,344)
2023	12,245	16,451	(3,344)
2024	12,245	16,451	(3,344)
2025	6,244	16,451	(3,344)
2026	9,109	22,709	(3,344)
Thereafter	—	66,452	(985)
Total	\$ 52,088	\$ 154,965	\$ (17,705)

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

Special Funding Situation - Premium Assistance Plan

As a governmental nonemployer contributing entity in the Premium Assistance plan, the Commonwealth is required to contribute 50% of the employers share of the OPEB contribution for the non-school entities. The Commonwealth's proportionate share of the net OPEB liability at June 30, 2021 was \$13,260 or 0.6137%, which was a decrease of 0.0016% from its proportion measured as of June 30, 2020. The proportionate share is calculated utilizing the employers' one-year reported covered payroll as a percentage of the total one-year reported covered payroll. The Commonwealth is assigned 50% of non-school entities covered payroll for purposes of calculating proportionate share. The Commonwealth's proportionate share of OPEB expense, deferred outflows of resources and deferred inflows of resources are listed in the chart below.

	<u>Premium Assistance</u>
OPEB expense	\$ 753
Deferred outflows of resources	
Difference between expected and actual experience	\$ 122
Changes of assumptions	\$ 540
Difference between projected and actual investment earnings	\$ 23
Changes in proportion	\$ 358
Contributions subsequent to measurement date	\$ 702
Deferred inflows of resources	
Changes of assumptions	\$ 291
Changes in proportion	\$ 32
Difference between employee contribution and proportionate share	\$ 1

Employer Contributions: The contribution policy of the Premium Assistance plan is governed by applicable provisions of the Retirement Code. A portion of each employer pension contribution is set aside for the funding of the Premium Assistance. The total contribution rate for employers and governmental nonemployer contributing entities is 0.83% of the total employer pension contribution. The contribution rate for the Premium Assistance plan is set at a level necessary to establish reserves sufficient to provide Premium Assistance plan payments for all participating eligible members for the subsequent fiscal year. The Premium Assistance plan recognized \$702 of contributions during the fiscal year ended June 30, 2021.

NOTE 11 - CERTAIN CLAIMS LIABILITIES

The Pennsylvania Medical Care Availability and Reduction of Error Fund (Mcare), a special revenue fund, acts as a service agent to facilitate the payment of medical malpractice claims to claimants which exceed basic liability coverage carried by healthcare providers practicing in the Commonwealth. The Mcare collects statutory healthcare provider surcharges, as a percentage of insurance premiums for basic liability coverage; in turn, the Mcare pays claimants on behalf of healthcare providers. The Mcare has assets of \$104,074 at June 30, 2021. The Commonwealth has reported \$1,098,030 at June 30, 2021 with respect to the actuarially computed liability for outstanding claims for injuries caused by alleged negligence by certain healthcare providers. The claims will be funded exclusively through statutory surcharge assessments in future years as claims are settled and paid.

The Underground Storage Tank Indemnification Fund (USTIF), a special revenue fund, is used to collect fees from underground storage tank owners and operators sufficient to pay owners and operators for costs associated with corrective actions or for bodily injury or property damage caused by underground tank leaks and other releases. Owners and operators are assessed actuarially determined amounts to accumulate sufficient assets to pay claims. The Commonwealth has reported \$313,581 at June 30, 2021 with respect to the estimated actuarial liability for existing claims. There are statutory limits on the extent of the USTIF's liability to participating owners and operators; the USTIF is not obligated beyond assets held at June 30, 2021. The USTIF has assets of \$507,852 at June 30, 2021. Owners and operators will be assessed for any claims exceeding assets and no financial liability is reported for those claims.

NOTE 12 - JOINT VENTURE

The Commonwealth and various labor unions representing Commonwealth collective bargaining employees participate in a joint venture, the Pennsylvania Employees Benefit Trust Fund (PEBTF). The PEBTF was established in 1988 through an Agreement and Declaration of Trust (Agreement). The PEBTF establishes and provides healthcare benefits for active Commonwealth employees and is the Commonwealth's third-party administrator for paying retiree healthcare benefits for the REHP and the RPSPP. The Commonwealth has, in its collective bargaining agreements with unions participating in the Agreement, obligated itself to provide certain contributions on behalf of bargaining unit employees. The Commonwealth also remits contractually established contributions on behalf of active non-union employees and other active employees covered by contracts between the Commonwealth and other unions. Nearly all active employees contribute established percentages of their salaries and wages received, constituting an 'employee share,' to finance active employee benefits. During the fiscal year ended June 30, 2021 total employer contributions for active employees amounted to approximately \$1,008,559; active employee contributions amounted to approximately \$129,922. Neither the Commonwealth nor the unions have an equity interest in the PEBTF.

At June 30, 2021, for the active employees benefit program, the PEBTF reported total assets of \$919,085, total liabilities of \$1,968, total benefit obligations of \$106,010, and an excess of net assets over benefit obligations of \$811,107. During the fiscal year ended June 30, 2021 the PEBTF reported an increase in net assets over benefit obligations of \$35,340 for the active employees benefit program.

Due to timing differences in the implementation and payment of the new employer contribution effective July 1, 2011, the PEBTF recorded \$237 in contribution overpayments for the fiscal year ended June 30, 2021. It is expected that these overpayments will be offset by reductions in contribution payments as the collective bargaining agreements are adopted.

Audited financial statements for the active employee healthcare plans are available, by request, from:

Pennsylvania Employees Benefit Trust Fund
150 South 43rd Street
Harrisburg, Pennsylvania 17111-5700

NOTE 13 - TAX ABATEMENTS**Tax Abatements**

A tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. As of June 30, 2021, the Commonwealth of Pennsylvania provided tax abatements through the following programs listed in alphabetical order:

- The Coal Refuse Energy and Reclamation Tax Credit program is administered by the Department of Community and Economic Development (DCED) under Article XVII-J of the Tax Reform Code of 1971 to incentivize Pennsylvania electric generating facilities to use coal refuse for power generation, control acid gases, and use ash produced to reclaim mining-affected sites. To be eligible, an electric generating facility must have been in service within the Commonwealth prior to July 1, 2016, must use qualified coal refuse to generate power, and use a qualified system to control acid gases. Additionally, facilities commit to using at least 50% ash produced in the prior year to reclaim mining-affected sites. Eligible facilities may apply for tax credits of \$4 dollars per ton of qualified coal refuse used, up to 22.2% of the annual program cap of \$20 million. If applications exceed the annual program cap, the credits will be prorated among applicants. The tax credit must be first applied against the tax liability in the year of issuance, may be carried forward 15 years, and after the initial filing may be sold to an approved business. Tax credits are valid to be deducted from the following taxes: corporate net income, personal income, bank and trust company shares, insurance premiums, title insurance company shares tax, gross receipts, and mutual thrift institutions. For the fiscal year ended June 30, 2021, \$10.8 million in taxes were abated.
- The Educational Opportunity Scholarship Tax Credit (EOSTC) is administered by DCED under Article XX-B of the Public School Code of 1949, 24 P.S. Section 20-2005-B and allows for businesses to receive tax credits for contributions to a list of pre-approved scholarship organizations. Businesses may apply to DCED for a tax credit equal to 75% of the contribution for a one-year pledge, or 90% of the contribution for a two-year pledge, up to \$750 thousand annually. After receiving the approved application from DCED, the business must make the contribution within 60 days, and provide DCED a written acknowledgment with proof within 90 days of the approved application. If proof is not received, the tax credit approval is void. Applications are approved first come/first served. Tax credits may not be sold, and total credits for the program cannot exceed \$55 million annually. If program thresholds are not met in a given year, the remaining balance will be available to the waiting list of the Education Tax Credit Program for Scholarship Organizations and Pre-Kindergarten Organizations, but not for Educational Improvement Organizations. Tax credits may be utilized against the following taxes: corporate net income, personal income, insurance premiums, bank and trust company shares, mutual thrift institutions, title insurance company shares, malt beverage, and surplus lines tax. For the fiscal year ended June 30, 2021, \$53.6 million in taxes were abated.
- The Educational Tax Credit, previously known as the Educational Improvement Tax Credit (EITC), is administered by DCED under Article XX-B of the Public School Code of 1949, 24 P.S. Section 20-2005-B to provide an incentive for Pennsylvania businesses to make contributions to a list of pre-approved Scholarship Organizations (SO), Educational Improvement Organizations (EIO), or Pre-Kindergarten Scholarship Organizations (PKSO). For both SOs and EIOs, businesses may apply to DCED for a tax credit equal to 75% of the contribution for a one-year pledge, or 90% of the contribution for a two-year pledge, up to \$750 thousand annually. For PKSOs, businesses may apply for a tax credit equal to 100% of the first \$10 thousand, and 90% of any additional amount up to \$200 thousand annually. After receiving the approved application from DCED, the business must make the contribution within 60 days, and provide DCED a written acknowledgment with proof within 90 days. If proof is not received, the tax credit approval is void. For two-year applications, if the second year contribution is not made, the prior year credit is reduced to 75%. Applications are approved first come/first served. Tax credits are applied against the tax liability in the year of the contribution or the following year if a pass-through entity. Credits may not be carried forward or sold, and total credits for the program cannot exceed \$185 million annually (\$135 million for SOs, \$37.5 million for EIOs, and \$12.5 million for PKSOs). If EITC's total program credits have been met, an applicant may elect to have the application be considered for the Opportunity Scholarship Tax Credit program instead. Tax credits may be utilized against the following taxes: corporate net income, personal income, insurance premiums, bank and trust company shares, mutual thrift institutions, title insurance company shares, malt beverage, and surplus lines tax. For the fiscal year ended June 30, 2021, \$179.5 million in taxes were abated.

NOTE 13 - TAX ABATEMENTS (continued)

- The Film Production Tax Credit is administered by DCED under Article XVII-D of the Tax Reform Code of 1971, and encourages production of films, television commercials, or television shows within the Commonwealth. To be eligible, the productions must be for a national audience, and production companies must spend a minimum of 60% of their total budgets on qualified Pennsylvania expenses. The budget must be approved by DCED. Tax credits are calculated at 25% of qualified Pennsylvania expenses, with an option of an additional 5% if filming is at a qualified facility within the Commonwealth. The total tax credits for an individual project are capped at 30% of the total annual program budget of \$70 million. The taxpayer also agrees to submit monthly progress reports and an independently audited report of expenses upon completion of the project. If the agreed upon qualified film production expenses are not incurred, the taxpayer must repay the Commonwealth the amount of tax credit claimed. Tax credits may be carried forward three years, and after the initial filing may be sold to an approved business. Tax credits may be utilized against the following taxes: corporate net income, personal income, insurance premiums, bank and trust company shares, mutual thrift institutions, and title insurance company shares. For the fiscal year ended June 30, 2021, \$65.1 million in taxes were abated.
- The Keystone Innovation Zone (KIZ) program is administered by the Ben Franklin Technology Development Authority (BFTDA) and DCED under Article XIX-F of the Tax Reform Code of 1971, and fosters entrepreneurial opportunities for young companies to grow in designated geographic areas. Each KIZ has a keystone innovation zone partnership and coordinator that develops a strategic plan for the targeted industry segments they are promoting. To be eligible for the tax credit a business must be located within a designated KIZ geographic area, must be in operation less than eight years, and must be within the specific KIZ's targeted industry sectors. Businesses must work with the KIZ coordinator prior to applying for the KIZ tax credit. Tax credits are awarded for 50% of the increase of revenues within the KIZ between the first and second year after application, up to \$100 thousand. If a business has operations outside the zone, the revenues are attributed based on property and payroll factors. If there is no payroll within the KIZ, the tax credit may be reduced. If there is no property or payroll within the KIZ, the business is ineligible. Businesses must report semi-annually through the KIZ Force reporting tool. If tax credits awarded exceed the \$15 million annual program cap, tax credits are prorated between recipients. Tax credits may be carried forward four years, and may be sold to an approved buyer after the initial year's filed taxes. Tax credits may be utilized against the following taxes: corporate net income and personal income. For the fiscal year ended June 30, 2021, \$15.0 million in taxes were abated.
- The Keystone Opportunity Zone Program (KOZ) is administered by DCED under Chapter 16B of the Pennsylvania Keystone Opportunity Zone Act, and is designed to create economic development in designated zones within the Commonwealth by providing tax abatements to businesses and residents located within the zones. While zones are in effect, qualified applicants within the zone are eligible to have tax liabilities waived for corporate net income tax, personal income tax, sales and use tax, mutual thrift institutions tax, bank and trust company shares tax, and insurance premiums tax. Businesses that cease operations in a KOZ within five years of first receiving tax benefits must repay a prorated percentage of the taxes abated; 66% if within three years or 33% if within four to five years. Existing Pennsylvania businesses relocating to the zone must satisfy one of the following relocation requirements to be eligible: increase full-time employment by at least 20% in the first year of operating within the KOZ; make a capital investment of at least 10% of the business' gross revenues of the year prior to relocating to the KOZ; or enter a lease agreement for the duration of the KOZ with aggregate lease payments of at least 5% of gross revenues of the year prior to relocating to the KOZ. KOZ applicants may not claim or accumulate the Tax Credit for New Jobs, the Research and Development tax credit, or the Neighborhood Assistance Program tax credit for activity performed within the zone. Qualified businesses must also be fully compliant with all state and local taxes and building codes, and within their annual renewal should include reporting on the jobs and private investment created within the KOZ. For residents to be eligible for tax waiver of personal income tax they must reside 184 consecutive days in the zone during each tax year, and comply with all state and local tax laws. In conjunction with the KOZ, the Commonwealth also at times committed to providing other economic growth opportunities in the form of grants, loans and training reimbursements. For the fiscal year ended June 30, 2021, \$85.8 million in taxes were abated.

NOTE 13 - TAX ABATEMENTS (continued)

- The Military Installation Remediation Program (MIRP) is administered by a contracting authority with oversight by the Department of Revenue (DOR), under Title 73 P.S. Trade and Commerce – Chapter 16E Transit Revitalization Investment District Act. The program is a hybrid tax incremental financing program with a primary focus for improvement and development within designated parcels in a municipality with a former military installation. Each year entities located or partially located within the designated parcels are required to file a MIRP report, which includes the following state taxes paid during the previous calendar year: corporate net income, bank and trust company shares, sales, use & hotel occupancy, employer withholding, personal income tax paid by shareholders, members or partners of Subchapter S corporations, limited liability companies, partnerships and sole proprietorships and realty transfer. The total amount of state taxes certified and deposited into the MIRP fund for use by the contracting authority may not exceed 500% of the local taxes and additional money designated and transferred to the contracting authority by a municipality or municipal authority during the year. The authority may utilize the funds for 1) operational costs of the authority; 2) offset of surcharge applied to customers of a water provider relating to the costs of remediation relating to per-and polyfluoroalkyl substances (PFAs) present in drinking water related to the presence of a former military installation; 3) offset an amount attributable to an amount billed to customers of a water provider relating to the costs of remediation relating to PFAs present in drinking water related to the presence of a former military installation; 4) offset the cost of connecting a residence with a private well which is impacted by the presence of PFAs in drinking water related to a former military installation to a public water supply; 5) if available after satisfaction of (1), (2), (3), (4) may be used for: transportation infrastructure and economic development costs within designated boundaries of the MIRP; and payment of debt service on bonds issued or refinanced for the acquisition, development, construction, including related infrastructure and site preparation, reconstruction or renovation or refinancing of a project under (2), (3), (4). All eligible MIRP projects must be geographically located within the MIRP and be approved by the authority. Once in operation, the payment of taxes associated with the project can go toward payment of the debt service owed by the developer on the project. The MIRP designation is effective for a period of 30 years. For the fiscal year ended June 30, 2021, \$15.4 million in taxes were abated and deposited into the MIRP fund for use by the contracting authority.
- The Neighborhood Assistance Programs are administered by DCED under Article XIX-A of the Tax Reform Code of 1971, and provides an incentive for Pennsylvania business to contribute to approved neighborhood organizations' projects or otherwise provide qualified assistance to impoverished areas. There are five subset programs to Neighborhood Assistance Program tax credit program: the Neighborhood Assistance Program (NAP) is for contributions for projects to improve distressed communities, the Special Program Priorities (SPP) targets Commonwealth designated priority problems or projects within a distressed area, the Neighborhood Partnership Program (NPP) works holistically on multiple projects and contributions must be for five or more years, the Charitable Food Program (CFP) supports nonprofit regional food banks, and the Enterprise Zone Program (EZP) allows businesses in distressed areas to receive tax credits for investing directly in the construction costs of rehabilitating or improving buildings or land. The eligibility requirements and tax credit awards vary by subset program. In order to be eligible for the NAP, SPP, NPP and CFP tax credits, a business must provide to DCED a letter of commitment on corporate letterhead to contribute to an approved neighborhood organization's project in one of these subset programs. Upon approval, the contribution must be made within 12 months, and the business must submit proof of contribution to DCED within 18 months to receive the tax credit certificate. The neighborhood organization must use the donation on the approved project within 15 months of the donation. Tax credits are awarded at 55% of the contribution for NAPs, 75% of the contribution for SPPs, 75-80% for Neighborhood Partnership Programs, and 55% for Charitable Food Programs. The tax credit per business is capped at \$500 thousand for contributions to three or fewer projects or \$1.25 million for four or more projects. In order to be eligible for the EZP, a business must invest in the rehabilitation, expansion, improvement, engineering, architecture or acquisition of a building or land within a designated Enterprise Zone distressed community. The business must additionally provide full-time employment opportunities with benefits at a defined family sustainable wage. The tax credits are awarded at 25% of the investment up to a \$500 thousand limit per business. The Neighborhood Assistance Programs combined annual cap is \$36 million. Tax credits must be applied against the business' tax liability, can be carried forward five years, and after the initial filing may be sold to an approved business. The tax credits may be utilized against the following taxes: corporate net income, personal income, bank and trust company shares, mutual thrift institutions, insurance premiums, and title insurance. For the fiscal year ended June 30, 2021, \$33.6 million in taxes were abated.

NOTE 13 - TAX ABATEMENTS (continued)

- The Neighborhood Improvement Zone Program (NIZ) is administered by a contracting authority with oversight by the Department of Revenue (DOR), under Article XIX-B of the Tax Reform Code of 1971, and is a hybrid tax incremental financing program with a primary focus for the construction of an arena and a secondary focus for economic development in the zone. Each year entities located or partially located within the zone are required to file a NIZ report, which includes the following state taxes paid during the previous calendar year: corporate net income, bank and trust company shares, sales, use & hotel occupancy, employer withholding, gross receipts, unemployment compensation, realty transfer, cigarette, vehicle rental, gross premiums, malt beverage, and liquor/wine. The total amount of state taxes certified by DOR and applicable local taxes are deposited into the NIZ fund for use by the contracting authority. The authority may utilize the funds for the payment of debt service on bonds issued for the construction of the arena, or to fund the debt service of additional eligible improvement projects within the zone. All eligible NIZ projects must be geographically located within the NIZ and be approved by the authority. Once in operation, the payment of taxes associated with the project can go toward payment of the debt service owed by the developer on the project. The NIZ zone is effective for a period equal to the payment of all debt service incurred, including bond repayment or 30 years, whichever occurs first. For the fiscal year ended June 30, 2021, \$46.6 million in taxes were abated and deposited into the NIZ fund for use by the contracting authority.
- The Resource Enhancement and Protection Tax Credit (REAP) is administered by the State Conservation Commission (SCC) under Article XVII-E of the Tax Reform Code of 1971 and provides an incentive for farmers and agricultural businesses to institute “Best Management Practices” (BMP) to protect Pennsylvania natural resources. Pennsylvania farmers or businesses must apply to the SCC with an eligible BMP project; and must agree to maintain the BMP for the life span of the practice as defined by the SCC. Tax credits are awarded at 50% - 90% of eligible implementation costs, dependent on the type of BPM, up to \$250 thousand in a 7-year period per agricultural operation. The program is first come/first served up to the annual program cap of \$13 million. The tax credit must be first applied against the tax liability in the year of issuance, may be carried forward 15 years, and may be sold to an eligible entity after one year from the date-of-issuance of the credit. If the BMP is not maintained for the entire defined life span, all tax credits must be refunded. Tax credits may be utilized against the following taxes: corporate net income, personal income, bank and trust company shares, mutual thrift institutions, insurance premiums, and title insurance company shares. For the fiscal year ended June 30, 2021, \$11.2 million in taxes were abated.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Construction and Other Commitments: At June 30, 2021 the Department of Transportation (DOT) had contractual commitments of approximately \$7,015,793 for various DOT highway construction and mass transit projects. Financing for these future expenditures will be primarily from approved federal grants and general obligation bond proceeds. In addition, the Commonwealth has a variety of contractual and other commitments for future subsidies and purchases of goods and services for approximately \$8,550,303 at June 30, 2021. Actual expenditures are contingent upon approved spending authority and/or availability of financial resources.

Encumbrances: The Commonwealth utilizes encumbrances to account for outstanding commitments for open purchase orders and unfulfilled contracts. Amounts related to encumbrances based on outstanding purchase orders or other contracts are as follows:

General Fund	\$	985,183
Motor License Fund		354,589
Capital Facilities Fund		1,332,909
Other nonmajor funds		593,101
Total	\$	<u>3,265,782</u>

Investment Commitments: At June 30, 2021, the **Tuition Payment Fund** had capital commitments of \$213,494 to fund alternative investments, of which \$32,525 was unfunded. At June 30, 2021, the Other Postemployment Benefits funds, REHP and RPSPP, had capital commitments of \$10,000 to fund alternative investments of which \$6,847 was unfunded.

Loan and Grant Commitments: At June 30, 2021 primary government funds had approved \$8,750 in loans that had not been disbursed. Also, at June 30, 2021 the **Commonwealth Financing Authority (CFA)**, a blended component unit, had approved loans and grants that had not been disbursed of \$714,324.

Lease Commitments: As of June 30, 2021, the Commonwealth has leases that have not yet commenced, with lease payments due on an undiscounted basis of \$39,606 over the respective lease terms. These leases commence in 2022 and 2023 with lease terms ranging between 2022 and 2034.

In 2016, the Commonwealth amended a long-term lease agreement with Harristown Development Corporation (HDC) in order to finance energy efficiency upgrades and capital improvements to the leased office space. The Commonwealth issued \$38,935 of certificates of participation, which are secured and payable through the annually appropriated lease payments paid by Commonwealth to HDC. The certificates are not secured by a pledge of the Commonwealth’s full faith, credit and taxing power, and the Commonwealth has no obligation beyond the annually appropriated lease payments. For the fiscal year ended June 30, 2021, the lease payments assigned for payment of debt service totaled \$5,724. As of June 30, 2021, the total principal remaining on the certificates of participation is \$21,255.

Child Support Payments: At June 30, 2021, the Commonwealth was contingently liable for approximately \$20,445 in payments received by a contractor to be used for child support payments.

Litigation: The Commonwealth is a defendant in numerous legal proceedings pertaining to matters normally incidental to routine operations. Such litigation includes, but is not limited to, claims asserted against the Commonwealth arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of Commonwealth and Federal laws. The Commonwealth has reported accrued liabilities at June 30, 2021 with respect to torts as described in Note 8 for probable losses. The Commonwealth has not identified any additional cases where the likelihood of an unfavorable outcome is probable.

Additionally, the Commonwealth is currently involved in certain legal proceedings for which the likelihood of an unfavorable outcome is reasonably possible and may impair future revenue sources. Unfavorable outcomes for such cases, which the Commonwealth is vigorously contesting, could range from approximately \$26,000 to \$395,000 for the **General Fund**; \$10,000 to \$76,000 for the Philadelphia Regional Port Authority, an enterprise fund; and \$100 to \$1,069,000 of possible additional liabilities for the State Employees’ Retirement System, a fiduciary fund. The range of potential liability for governmental activities is from \$26,000 to \$395,000. The liability for these cases has not been recorded as of June 30, 2021. Moreover, there are some legal proceedings regarding the restriction of use of certain Commonwealth’s funds. The Commonwealth

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

considers an unfavorable outcome to be reasonably possibly and could result in required transfers between funds ranging from \$0 to \$1,183,000. No interfund receivables or payables have been recorded for these cases as of June 30, 2021.

Federal Grants: The Commonwealth receives significant financial assistance from the Federal Government in the form of grants and entitlements, including several non-cash programs (which are not included in the basic financial statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit Act or to financial and compliance audits by the grantor agencies of the Federal Government or their designees. Disallowances and sanctions as a result of these audits may become liabilities of the Commonwealth. The Commonwealth is currently involved in administrative and legal proceedings, with certain federal agencies, contesting various disallowances and sanctions related to federal assistance programs ranging from \$24,000 to \$322,000 at June 30, 2021. The Commonwealth's management believes ultimate disallowances and sanctions, if any, will not have a material effect on the basic financial statements.

The American Rescue Plan Act of 2021 provided \$7,291,328 from the State and Local Fiscal Recovery Funds (SLFRF) to the Commonwealth, with the full amount remaining to be spent at June 30, 2021. \$4,600,000 has been appropriated for use in fiscal year 2021-2022, and the remaining \$2,691,328 is expected to be appropriated for use in future fiscal years. The funds are anticipated to be fully utilized on allowable expenses by December 31, 2024, however, any monies unspent at that time will revert back to the U.S. Treasury.

Unemployment Compensation Payments: During the COVID-19 pandemic, the Commonwealth received Federal funding to provide unemployment benefits to those needing support. These programs experienced a high number of fraudulent claims, primarily through stolen identities. As this issue has affected many state workforce agencies, the U.S. Department of Labor and local authorities have joined forces to investigate the cause and extent of the activity. These authorities have not decided on the treatment of these payments, and whether the Commonwealth would need to repay all, a portion, or none of the Federal funds.

Lottery Prizes: The **State Lottery Fund (Lottery)**, an enterprise fund, awards a variety of prizes, including immediate, lump-sum cash prizes and certain large prizes, which provide for periodic payments to winners for specific periods of time (in some cases throughout the winners' lifetimes, and to designated beneficiaries). At June 30, 2021, the amount of future payments owed to prizewinners was \$420,175. To satisfy its financial obligation to these prizewinners, the **Lottery** purchases annuity contracts from insurance companies whereby the insurance companies make periodic payments to prizewinners. Generally, in the event of insurance company default, the **Lottery** is liable for the related annuity payments. However, certain prizewinners voluntarily assign their annuity rights to other parties and receive lump-sum payments in return. In the event of insurance company default where annuity rights have been voluntarily assigned by prizewinners, the **Lottery** is not liable for the related annuity payments. At June 30, 2021, prizewinners had voluntarily assigned future payments of \$589,506.

Pennsylvania Turnpike Commission (PTC): The PTC, a discretely presented component unit, had \$1,002,231 of Special Revenue Bonds outstanding at May 31, 2021. Pursuant to Act 44 of 2007 the PG, through its **Motor License Fund**, provided security for these bonds in the event of a debt service shortfall. This guarantee extends until the retirement or defeasance of any special revenue bonds or until October 13, 2057, whichever is sooner. To date, the PTC has made all required Special Revenue Bond debt service payments. No funds have been drawn or requested from the Commonwealth's **Motor License Fund** for special revenue bond debt service during the current reporting period or any prior reporting periods. In the event that the Commonwealth's **Motor License Fund** would be required to make a special revenue bond debt service payment, a provision of the Amended Lease and Funding Agreement, executed between the PTC and the **Motor License Fund**, requires the PTC to reimburse the **Motor License Fund** for any special revenue bond debt service payments plus interest.

During the PTC's fiscal year ending May 31, 2021, total interest and principal due on the \$1,002,231 of special revenue bonds outstanding at May 31, 2021 will amount to \$35,731 and \$13,750, respectively. Disclosures related to the PTC's special revenue bonds payable as of May 31, 2021 are provided in Note 16 to the basic financial statements.

Loan Guarantees: The **CFA**, through various economic development programs, provided loan guarantees as of June 30, 2021 as follows:

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

First Industries Loan Guarantees	\$	17,425
Tax Increment Financing Guarantees		16,106
New Pennsylvania Venture Guarantees		35,000
		35,000
Total Loan Guarantees	\$	68,531

In the event a borrower is unable to make the required debt service payment on a guaranteed debt issuance, or a loss is incurred on the aggregate guaranteed investment portfolio, the CFA is required to make payment. The guarantees related to the First Industries and Tax Increment Financing Guarantee extend through July 15, 2035 and July 1, 2032, respectively, as of June 30, 2021. The guarantees related to the New Pennsylvania Venture Guarantee Program extend throughout the life of the investment portfolio.

Nonexchange Financial Guarantees: As of June 30, 2021, the Commonwealth, in accordance with Act 52 of 2013 as amended by Act 84 of 2016 and Act 68 of 2020, guarantees the remaining liability of the 25-year, \$6,000 August 2017 conduit debt loan entered into by the Bethlehem Revitalization & Improvement Authority (BRIA), a legally separate reporting entity. The loan matures in 2044, with a variable interest rates of at least 4.375% during the loan term. The Commonwealth also guarantees the remaining liability of the \$3,250 conduit debt loan entered into by the BRIA in 2019. The total principal amounts outstanding under these notes for 2020 are \$8,915. The conduit debt instruments are not reported as liabilities in the BRIA's financial statements. These notes are secured by the respective property financed and are payable solely from payments received on the underlying note between lending banks and the borrowers. In the event that the BRIA is unable to make payment on these obligations, the Commonwealth will be required to make that payment on behalf of the BRIA under the borrowing provision within the CRIZ law.

The Commonwealth also guarantees a tax revenue note issued on March 15, 2020 in the amount of \$5,500 for the of the Lancaster City Revitalization and Improvement Zone (CRIZ) Authority's Small Business Program. The note is at an interest rate of 3.89% and is amortized over 216 months beginning June 15, 2030 through December 2040. The note is secured by a pledge of the Authority's revenues. In the event that the Lancaster CRIZ Authority is unable to make payment on these obligations, the Commonwealth will be required to make that payment on behalf of the Lancaster CRIZ Authority under the borrowing provision within the CRIZ law.

The Commonwealth guarantees the assets of the Tamaqua Revitalization & Improvement Authority (TRIA) to cover all public funds deposited in excess of FDIC limits. As of the TRIA's fiscal year ended December 31, 2020, none of the Authority's bank balance was exposed to custodial credit risk.

The CFA has recognized a liability for nonexchange financial guarantees at June 30, 2021 of \$17,356 and has made cumulative payments of \$13,422 for said amount. The CFA expects to recover a portion of these amounts in future periods; however, at this time the amount of any future recoveries is undeterminable.

Balance				Balance
July 1, 2020	Additions	Reductions	June 30, 2021	
\$ 15,012	\$ 3,461	\$ 1,117	\$ 17,356	

Primary Government Commitment for the Pennsylvania Convention Center Authority (PCCA): According to a contractual arrangement (Operating Agreement) among the Commonwealth, the City of Philadelphia, and the PCCA, a discretely presented component unit, the Commonwealth is required to make payments to the PCCA to finance operating deficits. Such payments are to be primarily financed using the Gaming Fund. The Gaming Fund is used to finance a variety of programs and/or projects and the Gaming Fund itself may be unable to finance all of the PCCA operating deficits during the term of the Operating Agreement, which expires in 2039. In that event, primary government payments to the PCCA based on the Operating Agreement must be financed using funds separate from the Gaming Fund; such amounts are subject to annual appropriation by the General Assembly.

Primary Government Commitment for the CFA: According to a contractual arrangement (Service Agreement) among the Department of Community and Economic Development, the Office of the Budget and the CFA, the primary government is

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

required to request sufficient annual appropriations from the General Assembly (to be funded by the **General Fund** and the Gaming Fund) to finance the service fee established in the Service Agreement. The service fee is the only significant source of funds the **CFA** has to pay its debt service obligations. The amount of such service fee is to be requested by October 1, each year, for the succeeding fiscal year budget effective July 1 of the following year. During the term of the Service Agreement, there can be no assurance that 1) the General Assembly will annually appropriate sufficient amounts to fund the annual service fee, or 2) funds will be available to finance such annual appropriations. During the fiscal year ended June 30, 2021 the primary government paid a service fee in the amount of \$328,831. Disclosures related to the **CFA's** \$4,494,470 of revenue bonds payable are provided in Note 6 to the basic financial statements.

Primary Government Commitment for the Pittsburgh Penguins Arena: A lease agreement between the Commonwealth and the Sports and Exhibition Authority of Pittsburgh and Allegheny County (SEA) created a 'subject to appropriation' obligation of the Commonwealth. In October 2007, the SEA issued \$313,300 of Commonwealth Lease Revenue Bonds (the Arena Bonds) to finance a multi-purpose arena to serve as home of the Pittsburgh Penguins (the Penguins), a hockey team in the National Hockey League. The Arena Bonds are not debt of the Commonwealth but are limited obligations of the SEA payable solely from the special revenues pledged. These special revenues include annually (1) \$4,100 from a lease with the Penguins, (2) not less than \$7,500 from the operator of a casino located in the City of Pittsburgh, and (3) \$7,500 from the Commonwealth's Gaming and Economic Development and Tourism Fund. While the special revenues are currently projected to be adequate to pay all debt service on the Arena Bonds, to the extent such revenues in any year are inadequate to cover debt service, the Commonwealth is obligated under the Arena Lease to fund such deficiency, subject in all cases to appropriation by the General Assembly. The maximum annual amount payable by the Commonwealth under the Arena Lease is \$19,100.

In April 2010, the SEA issued \$17,360 in additional Commonwealth Lease Revenue Bonds (the Supplemental Arena Bonds). The Supplemental Arena Bonds do not constitute debt of the Commonwealth but are limited obligations of the SEA payable solely from the special revenues pledged therefor. The Commonwealth is obligated under the Arena Lease to fund any deficiency in special revenues necessary to pay debt service; subject in all cases to appropriation by the General Assembly. For fiscal year ended June 30, 2021 the actual amount appropriated to support the SEA debt service was \$3,097.

NOTE 15 - NET POSITION AND FUND BALANCE

Governmental Activities and Business-Type Activities Net Position: Total net position is the difference between total assets and total deferred outflows of resources less total liabilities and total deferred inflows of resources as reported on the statement of net position. Total net position is reported in three distinct components: Net investment in capital assets; restricted net position; and unrestricted net position.

Net investment in capital assets represents total capital assets less accumulated depreciation and the outstanding liability (excluding unspent proceeds) for debt specifically related to the construction and acquisition of the capital assets. At June 30, 2021, governmental and business-type activities, respectively, reported net investment in capital assets of \$36,091,419 and \$769,180.

Restricted net position is reported based on constraints imposed by either: 1) creditors, grantors, contributors, or laws or regulations of the Federal or other governments; or 2) Commonwealth enabling legislation. At June 30, 2021, governmental and business-type activities, respectively, reported \$4,250,671 and \$1,347,947 of restricted net position. Net position restricted for other purposes of \$167,615 for business-type activities at June 30, 2021 include amounts for a range of dissimilar statutory purposes.

Unrestricted net position represents total net position less the amounts of net investment in capital assets and restricted net position. At June 30, 2021, governmental and business-type activities, respectively, reported unrestricted net position deficits of \$37,780,073 and \$4,742,564.

Governmental Funds Fund Balance: Reported fund balance within individual governmental funds is categorized between nonspendable and spendable categories. At June 30, 2021 nonspendable fund balance is only reported for amounts which are not in spendable form; no nonspendable fund balance is reported based on either legal or contractual requirements to be maintained intact. Within the spendable category, fund balance is further categorized among: restricted, committed, assigned and, unassigned categories. For the **General Fund**, balances may be reported within any of the four spendable categories. However, for all other funds, all balances must be reported within the restricted, committed, or assigned categories, with the exception of a fund balance deficit, which then must be reported in the unassigned category. At June 30, 2021, spendable governmental funds fund balance is categorized among all categories except that no assigned fund balance is reported among any governmental fund for which reporting assigned fund balance would cause reporting a deficit unassigned fund balance. The following chart provides detail about reported nonspendable fund balance and fund balance restrictions and commitments at June 30, 2021:

NOTE 15 - NET POSITION AND FUND BALANCE (continued)

	General Fund	Motor License Fund	Nonmajor Funds	Total
Nonspendable:				
Not in spendable form:				
Advances to other funds	\$ 8,373	\$ —	\$ —	\$ 8,373
Long-term loans receivable	25,120	—	—	25,120
Due from component unit	70,279	—	—	70,279
Total nonspendable	103,772	—	—	103,772
Restricted for:				
General government operations	165,595	—	98,281	263,876
Health-related programs	—	—	50,636	50,636
Transportation	520	1,307,435	1,634,938	2,942,893
Unemployment/worker's compensation	—	—	1,324,843	1,324,843
Environmental and conservation programs	12,803	—	809,358	822,161
Economic development	—	—	38,023	38,023
Gaming/horse racing regulation	—	—	766,596	766,596
Emergency support	—	—	104,194	104,194
Beneficiaries	—	—	898,636	898,636
Human services	19,041	—	—	19,041
Public protection	8,613	—	—	8,613
Total restricted	206,572	1,307,435	5,725,505	7,239,512
Committed for:				
General government operations	1,374,247	—	—	1,374,247
Health-related programs	134,354	—	41,337	175,691
Transportation	—	—	50,172	50,172
Capital projects	102,187	—	873,876	976,063
Debt service	—	—	35,857	35,857
Elderly programs	73,083	—	—	73,083
Environmental and conservation programs	266,828	—	47,897	314,725
Economic development	143,382	—	—	143,382
Emergency support	15,066	—	—	15,066
Higher education	351,828	—	—	351,828
Budget stabilization	243,571	—	—	243,571
Beneficiaries	2	—	—	2
Human services	256,267	—	—	256,267
Public protection	418,531	—	—	418,531
Total committed	3,379,346	—	1,049,139	4,428,485
Unassigned:				
Deficit	(616,664)	—	(14,235)	(630,899)
Total fund balances	\$ 3,073,026	\$ 1,307,435	\$ 6,760,409	\$ 11,140,870

A portion of the nonspendable fund balance reported by the **General Fund**, \$8,373, is applicable to advances to other funds at June 30, 2021 as follows: \$2,300 to the **State Workers' Insurance Fund**, an enterprise fund; \$2,175 to the **Motor License Fund**; \$3,000 to the Medical Marijuana Program Fund; \$898 to the Gaming Fund, all special revenue funds, respectively.

Governmental Funds Fund Balance Deficit: The Uninsured Employers' Guaranty Fund and the Philadelphia Taxicab and Limousine Regulatory Fund, both special revenue funds, reported deficits of \$13,956 and \$279, respectively, at June 30, 2021.

NOTE 15 - NET POSITION AND FUND BALANCE (continued)

Proprietary Funds Net Position: Nonmajor enterprise funds reported total restricted net position for “other purposes” of \$167,615 at June 30, 2021 for the following programs: mine subsidence insurance, \$158,863; vocational support, \$2,450; maintain historical properties, \$3,248; restaurant maintenance in state facilities, \$538; and local government loans, \$2,516.

Proprietary Funds Unrestricted Net Position Deficits: In addition to unrestricted net position deficits reported in four of the six major enterprise funds (**Unemployment Compensation Fund, State Lottery Fund, State Stores Fund** and the **Commonwealth Financing Authority**, a blended component unit), one nonmajor enterprise fund and two internal service funds reported an unrestricted net position deficit in the statement of net position-proprietary funds at June 30, 2021. The Rehabilitation Center Fund, an enterprise fund, reported an unrestricted net position deficit of \$54,319 at June 30, 2021.

The Manufacturing Fund and the Purchasing Fund, both internal service funds, reported unrestricted net position deficits of \$17,995 and \$48,465, respectively, at June 30, 2021. With the Commonwealth’s implementation of GASB Statements No. 68 and No. 75, these funds have reported pension and other postemployment benefit liabilities, causing these deficits.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS

Discretely Presented Component Units (DPCUs) as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, paragraph 20, and amended by GASB 61, paragraph 4b, are legally separate organizations for which the elected officials of the primary government (PG) are financially accountable. In addition, DPCUs can be other organizations of which the nature and significance of their relationship with the PG is such that exclusion of these organizations from the PG's financial statements would be misleading. DPCUs are established for the benefit of the Commonwealth's citizenry for a variety of purposes such as economic development, financing and public transportation. The following DPCU disclosures include only information that is deemed essential to the fair presentation of the Commonwealth's financial statements.

Deposits, Investments and Financial Instruments with Off-Balance Sheet Risk

DPCU organizations typically control receipt and disbursement of their own deposits, often through a trustee. Enabling legislation provides varying authority for investments; several DPCU organizations participate in the Commonwealth Investment Program (CIP).

Fair Value of Investments

The following table categorizes the investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs; the fair value of certain investments that do not have a readily determinable fair value are classified as net asset value (NAV).

A more detailed discussion of the application of the fair value hierarchy as it applies to each component unit is available from the component units separately issued financial statements.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Investment Type/Fair Value	PTC	PHFA	PHEAA	PENNVEST	SSHE
Asset backed securities					
Level 2	\$ —	\$ —	\$ —	\$ —	\$ 163,344
Bond mutual funds					
Level 1	—	—	—	—	7,335
Level 2	—	—	—	—	924
NAV	—	—	—	—	13,520
Commercial paper					
Level 2	—	—	123,361	—	109,806
Common stock					
Level 1	—	—	—	—	1,206
Commonwealth investment pool					
Level 2	—	—	—	1,471,531	—
NAV	—	—	363,639	—	—
Corporate obligations					
Level 2	125,031	—	—	—	180,134
Debt securities					
Level 1	—	—	—	—	682
Level 2	—	—	—	—	53
Equity balanced mutual funds					
Level 1	—	—	—	—	22,921
Level 2	—	—	—	—	3,190
Level 3	—	—	—	—	2,063
NAV	—	—	—	—	29,531
GNMA mortgages					
Level 2	864	—	—	—	—
Investment derivatives					
Level 2	15,890	—	—	—	—
Money market mutual funds					
Level 1	—	—	236,162	—	—
Level 2	—	—	—	—	84,252
NAV	—	—	57,203	—	—
Mortgage-backed securities					
Level 2	—	66,343	—	—	190,730
Municipal bonds					
Level 2	91,451	—	—	—	—
U.S. Government agency obligations					
Level 1	—	—	—	—	434
Level 2	37,777	225,871	—	—	238,773
U.S. Treasury obligations					
Level 1	1,456,488	—	—	—	—
Subtotal Level 1	1,456,488	—	236,162	—	32,578
Subtotal Level 2	271,013	292,214	123,361	1,471,531	971,206
Subtotal Level 3	—	—	—	—	2,063
Subtotal NAV	—	—	420,842	—	43,051
Total	\$ 1,727,501	\$ 292,214	\$ 780,365	\$ 1,471,531	\$ 1,048,898

Note: Does not include PENNVEST securities lending collateral of \$16,877 or \$765,460 of investments reported by component units of the SSHE.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**Deposit Risks**

Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the DPCU would not be able to recover the value of the deposits.

At May 31, 2021, \$32,000 of the Pennsylvania Turnpike Commission's (PTC) demand deposits were exposed to custodial credit risk, as they were uninsured and collateralized with securities held by an agent of the pledging financial institution but are not in the PTC's name.

The Pennsylvania Housing Finance Agency (PHFA) held \$344,279 of cash deposits that were uninsured but collateralized in accordance with the Commonwealth of Pennsylvania Act 72 of 1971, as amended, by securities held by the pledging financial institution, its trust department or agent, but not in the PHFA's name.

The Pennsylvania Higher Education Assistance Agency (PHEAA) held \$15,000 of deposits with financial institutions in excess of federal depository insurance limits that were uninsured.

The majority of the Pennsylvania Infrastructure Investment Authority (PENNVEST) deposits are held in the CIP. Deposits of the CIP must be held in insured depositories and must be fully collateralized.

The Pennsylvania State System of Higher Education (SSHE) held \$2,428 of uninsured and uncollateralized deposits and \$60,858 was covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971, as amended.

Investment Risks

Risk Management Policies: DPCU policies for certain risks are established by governing boards and bond indentures. Credit quality risk is addressed by establishing minimum nationally recognized statistical rating organization (NRSRO) ratings for allowable investment purchases. Concentration of credit risk is also avoided by limiting the concentration of investments in any one issuer. Some organizations have policies in place that prohibit a certain percent of the overall portfolio, whereas others determine concentration limits based on security type. Custodial credit risk is typically avoided through registration.

The PTC investment policies established by its bond indentures and the PTC management define guidelines and operational factors governing the investment of financial assets. Management's policy generally has the same restrictions regarding permitted investments as the indentures. Allowable investments include obligations of, or obligations guaranteed by, the United States of America, its agencies, and its instrumentalities; certificates of deposit issued by institutions insured by the FDIC or fully collateralized with United States Government obligations; investment agreements with certain financial institutions; commercial paper and asset-backed securities rated in the highest category by applicable rating agencies; money market funds and auction rate certificates rated in one of the two highest categories by applicable rating agencies; corporate bonds and medium term notes with a minimum rating of AA-; investments in bonds or notes issued by any state or municipality which are rated by Moody's, S&P and Fitch in one of their two highest rating categories; and repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York collateralized with obligations of, or guaranteed by, the United States of America. All investment ratings shall be based on security ratings at the time of purchase. The portfolio's average credit quality should be rated Aa3/AA- or better by Moody's/S&P.

Commonwealth statutes and contractual provisions contained within the PHFA's bond trust indentures govern the investment policies of the PHFA. The Housing Finance Agency Law, December 3, 1959, P.L. 1688 as amended December 5, 1972, P.L. 1259, No. 282 ("Act") and bond indentures provide the authority to invest all PHFA funds. In compliance with the Act and bond indentures, it is the policy of the PHFA to invest in securities that provide suitable returns, preserve principal, meet liquidity needs and to further the purposes of the PHFA. The PHFA mitigates its credit risk by limiting investments to those permitted in its deposit and investment policies, diversifying the investment portfolio and prequalifying firms with which PHFA administers its investment activities.

The PHEAA Board of Directors authorizes the investment guidelines and PHEAA management governs the investments by using the "prudent person" rule. Generally, the PHEAA's investments are limited to U.S. Government securities, U.S. Government agency securities, federal instrumentalities sponsored by U.S. agencies, high-grade commercial paper,

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

repurchase agreements collateralized by U.S. Treasury obligations, certificates of deposit, banker's acceptances eligible for purchase by the Federal Reserve System, and other investments approved by the Board of Directors.

The trust indenture and the Commonwealth Fiscal Code, as amended, authorizes PENNVEST to invest in obligations of the U.S. government and government-sponsored agencies and instrumentalities; certificates of deposits, fully insured or collateralized; certain commercial paper and repurchase agreements, highly rated bank promissory notes or investment of funds or trusts; and "prudent person" investments as determined by PENNVEST's depository.

The SSHE investment policy is established by board policy and authorizes SSHE to invest in obligations of the U.S. Treasury, repurchase agreements, commercial paper, certificates of deposit, banker's acceptances, U.S. money market funds, municipal bonds, corporate bonds, collateralized mortgage obligations, asset-backed securities, and internal loan funds.

Investment Type	PTC	PHFA	PHEAA	PENNVEST	SSHE
Asset-backed securities	\$ —	\$ —	\$ —	\$ —	\$ 163,344
Bond mutual funds	—	—	—	—	21,779
Commercial paper	—	—	123,361	—	109,806
Common stock	—	—	—	—	1,206
Corporate obligations	125,031	—	—	—	180,134
Debt securities	—	—	—	—	735
Derivatives	15,890	—	—	—	—
Equity/balanced mutual funds	—	—	—	—	57,705
Federal agency discount notes	—	—	—	—	—
GNMA mortgages	864	—	—	—	—
Money market mutual funds	—	—	293,365	—	84,252
Mortgage backed securities	—	66,343	—	—	190,730
Municipal bonds	91,451	—	—	—	—
Securities lending collateral	—	—	—	16,877	—
Commonwealth Investment Program	—	—	363,639	1,471,531	—
U.S. Government and agency obligations	37,777	225,871	—	—	239,207
U.S. Treasury obligations	1,456,488	—	—	—	—
Total investments	1,727,501	292,214	780,365	1,488,408	1,048,898
Certificates of deposit	—	—	—	—	65
Money market funds	—	—	—	—	8,624
Total deposits	\$ —	\$ —	\$ —	\$ —	\$ 8,689
Total investments and deposits	\$ 1,727,501	\$ 292,214	\$ 780,365	\$ 1,488,408	\$ 1,057,587

Note: Total investments by type does not include \$765,460 of investments reported by component units of the SSHE.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the organizations' investment in a single issuer.

The PTC's investment policy defines permitted investments along with the following concentration limitations. Investments in any single federal agency are limited to 35% of the portfolio. Investments in certificates of deposit and investment agreements are limited to 30% of the portfolio and combined exposure to commercial paper, corporate bonds, and asset-backed securities, in aggregate, is limited to 35% of the total portfolio. Investments in any single issuer, excluding U.S. Treasury and federal agencies, are limited to 5% of the portfolio.

The PHFA has various maximum investment limits both by the type of investment and by issuer to prevent inappropriate concentration of credit risk.

The PHEAA investment policy does not contain requirements that limit the amount that can be invested in any one issuer.

The PENNVEST participates in the CIP managed by the Commonwealth. The Commonwealth places a 10% limit on the concentration of investments in any one fixed income issuer within the CIP. This limitation excludes government-sponsored enterprises, direct obligations of the U.S. Treasury or U.S. agencies, and repurchase agreements. The Commonwealth also places a 5% limit on the concentration of investments in one equity issuer within the CIP.

The SSHE investment policy contains the following limitations: U.S. Government securities together with repurchase agreements must comprise at least 20% of market value of the fund. Commercial paper investments must be P-1 and P-2 notes only, with no more than 5% and 3%, respectively, of the market value of the fund invested in any single issuer and must not exceed 20% of the market value of the fund. Municipal bonds must carry a long-term debt rating of A or better and may not exceed 20% of the market value of the fund. Corporate bonds may not exceed 20% of the market value of the fund; 15% must carry a long-term debt rating of A or better while 5% may be rated Baa2 or better. Collateralized mortgage obligations must be rated Aaa and guaranteed by the U.S. Government and may not exceed 20% of the market value of the fund. Asset-backed securities must be Aaa rated and the total may not exceed 20% of the market value of the fund, with no more than 5% invested in any single issuer. Investment fund loans may not exceed 20% of the market value of the fund and the loan terms may not exceed five years.

The following concentration existed as of June 30, 2021:

Issuer Name	PHFA
Government National Mortgage Association	\$ 58,717
Tennessee Valley Authority	88,092
Federal Farm Credit Bank	57,025
Federal Home Loan Mortgage Corp	15,945
Federal National Mortgage Association	50,827
	<u>\$ 270,606</u>

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Credit Risk: The following table discloses aggregate fair value, by Moody's or Standard and Poor's credit quality rating category, at June 30, 2021 (May 31, 2021 for the PTC):

Moody's Investors Service	PTC	PHFA	PHEAA	PENNVEST	SSHE
Aaa	\$ —	\$ 223,810	\$ —	\$ —	\$ 664,530
Aa	10,794	—	—	—	6,981
A	5,096	—	—	—	141,918
Baa	—	—	—	—	43,088
P1	—	—	—	—	111,212
Moody's Investors Service subtotal	15,890	223,810	—	—	967,729
Standard and Poor's					
AAA	44,391	—	293,365	—	—
AA	112,894	—	—	—	—
A	96,909	—	123,361	—	—
Below A	65	—	—	—	—
Standard and Poor's subtotal	254,259	—	416,726	—	—
Rated Subtotal	270,149	223,810	416,726	—	967,729
Unrated					
Bond mutual funds	—	—	—	—	21,779
Mortgage backed securities	—	55,503	—	—	—
Commonwealth Investment Program	—	—	363,639	1,471,531	—
U.S. Government agency obligations	864	12,901	—	—	479
U.S. Treasury obligations	1,456,488	—	—	—	—
Unrated subtotal	1,457,352	68,404	363,639	1,471,531	22,258
Total Fixed income investments	1,727,501	292,214	780,365	1,471,531	989,987
Variable income investments					
Equity/balanced mutual funds	—	—	—	—	57,705
Common stock	—	—	—	—	1,206
Variable income investments subtotal	—	—	—	—	58,911
Total investments	\$ 1,727,501	\$ 292,214	\$ 780,365	\$ 1,471,531	\$ 1,048,898

Note: Total investments do not include \$765,460 reported by component units of the SSHE or PENNVEST securities lending collateral of \$16,877.

U.S. Government agency obligations include all securities issued by the U.S. Treasury, U.S. Government agencies, and U.S. Government Sponsored Enterprises. These include securities that are both explicitly and implicitly guaranteed by the full faith and credit of the U.S. Government. Many of these securities are not usually rated by a NRSRO and have an implied rating of Aaa/AAA.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Interest Rate Risk: Interest rate risk is managed using different techniques: weighted average maturity, maximum maturity dates, effective duration, modified duration or operational cash needs. The following table discloses option-adjusted duration (in years) by investment type for the fixed income portfolio of the PTC at May 31, 2021 and the SSHE at June 30, 2021:

Investment Type	PTC		SSHE		
	Amount	Option-Adjusted Duration	Amount	Option-Adjusted Duration	Securities with no Duration
Asset backed securities	\$ —	—	\$ 163,344	0.74	\$ —
Bond mutual funds	—	—	21,779	5.95	—
Certificates of deposit	—	—	—	—	65
Commercial paper	—	—	109,806	0.13	—
Corporate obligations	125,031	1.47	180,134	3.22	—
Debt securities	—	—	735	2.81	—
GNMA mortgages	864	4.38	—	—	—
Money market mutual funds	—	—	—	—	84,252
Mortgage-backed securities	—	—	190,730	1.89	—
Municipal bonds	91,451	1.27	—	—	—
U.S. Government agency obligations	37,777	0.83	239,207	1.24	—
U.S. Treasury obligations	1,456,488	2.42	—	—	—
Total	\$ 1,711,611		\$ 905,735		\$ 84,317

The PHFA and PHEAA do not use option-adjusted duration as a means of managing interest rate risk; the following provides segmented time distribution for those organizations at June 30, 2021:

Investment Type	PHFA			
	Matures in less than 1 year	Matures in 1 to 10 years	Matures in more than 10 years	Total
Mortgage-backed securities	\$ —	\$ 25,929	\$ 61,626	\$ 87,555
U.S. Government agency obligations	10	49,390	155,259	204,659
Total	\$ 10	\$ 75,319	\$ 216,885	\$ 292,214

Investment Type	PHEAA			
	Matures in less than 1 year	Matures in 1 to 10 years	Matures in more than 10 years	Total
Commercial paper	\$ 123,361	\$ —	\$ —	\$ 123,361
Money market mutual funds	293,365	—	—	293,365
Commonwealth Investment Program	363,639	—	—	363,639
Total	\$ 780,365	\$ —	\$ —	\$ 780,365

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Derivatives

As of May 31, 2021, the PTC in its separately-issued financial statements reported noncurrent hedging derivative instrument liabilities of \$111,370 which were offset by reported deferred outflow of resources of \$119,058. Changes in the net fair value of the hedging derivative instruments during the fiscal year ended May 31, 2021 \$105,784 were deferred.

As of June 30, 2021, the PHFA, in its separately-issued financial statements, reported a noncurrent hedging derivative instrument liability of \$13,050. Changes in the fair value of the hedging derivatives of \$5,712 were deferred.

Further information regarding the nature and notional value of the hedging and investment derivative instruments of the PTC (as of May 31, 2021) and the PHFA (as of June 30, 2021) are available within their separately audited and issued financial statements.

Loans Receivable

Loans receivable at June 30, 2021 consisted of the following:

	<u>PHFA</u>	<u>PHEAA</u>	<u>PENNVEST</u>
Mortgage loans	\$ 3,642,118	\$ —	\$ —
Student loans	—	2,999,563	—
Drinking water, storm water and sewer system loans	—	—	2,689,265
Subtotal	<u>3,642,118</u>	<u>2,999,563</u>	<u>2,689,265</u>
Less: allowance for uncollectible amounts	152,890	5,426	24,329
Loans receivable, net	<u><u>\$ 3,489,228</u></u>	<u><u>\$ 2,994,137</u></u>	<u><u>\$ 2,664,936</u></u>

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Capital Assets

A summary of capital assets by category at May 31, 2021 for PTC and June 30, 2021 for SSHE is as follows:

PTC	Balance May 31, 2020	Increases	Decreases	Balance May 31, 2021
Non-depreciable capital assets:				
Land and intangibles	\$ 425,643	\$ 16,614	\$ —	\$ 442,257
Construction in progress	1,788,685	621,588	121,964	2,288,309
Subtotal	2,214,328	638,202	121,964	2,730,566
Depreciable capital assets:				
Buildings	983,739	3,586	—	987,325
Improvements other than buildings	151,066	10,381	474	160,973
Equipment	706,803	36,936	161,939	581,800
Infrastructure	8,946,265	84,278	65,875	8,964,668
Subtotal	10,787,873	135,181	228,288	10,694,766
Accumulated depreciation:				
Buildings	459,049	23,157	—	482,206
Improvements other than buildings	90,026	6,920	473	96,473
Equipment	567,999	34,909	150,489	452,419
Infrastructure	5,475,126	308,938	65,876	5,718,188
Total accumulated depreciation	6,592,200	373,924	216,838	6,749,286
Total capital assets being depreciated, net	4,195,673	(238,743)	11,450	3,945,480
Total capital assets	\$ 6,410,001	\$ 399,459	\$ 133,414	\$ 6,676,046
SSHE				
	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021
Non-depreciable capital assets:				
Land and intangibles	\$ 34,780	\$ 383	\$ —	\$ 35,163
Construction in progress	109,570	74,346	40,269	143,647
Subtotal	144,350	74,729	40,269	178,810
Depreciable capital assets:				
Buildings	2,972,795	286,422	—	3,259,217
Improvements other than buildings	335,671	12,014	—	347,685
Equipment	541,856	16,356	9,115	549,097
Library books	73,167	332	2,016	71,483
Subtotal	3,923,489	315,124	11,131	4,227,482
Accumulated depreciation:				
Buildings	1,276,221	115,481	5,285	1,386,417
Improvements other than buildings	181,103	12,041	140	193,004
Equipment	456,762	28,405	10,893	474,274
Library books	69,127	946	2,010	68,063
Total accumulated depreciation	1,983,213	156,873	18,328	2,121,758
Total capital assets being depreciated, net	1,940,276	158,251	(7,197)	2,105,724
Total capital assets	\$ 2,084,626	\$ 232,980	\$ 33,072	\$ 2,284,534

Note: Capital assets do not include \$559,535 and \$835,907 reported by the component units of the SSHE as of June 30, 2021 and 2020, respectively.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Service Concession Arrangements

There are 17 service plazas along the Turnpike System providing gasoline and diesel fuel, other automotive supplies and services, and restaurant services. The PTC has entered into long-term service plaza redevelopment agreements with HMSHost Restaurants, LLC and Sunoco Retail LLC to design, reconstruct, finance, operate and maintain all of the service plazas. During fiscal year 2018, the agreement with Sunoco Retail LLC was assigned to 7-Eleven, Inc. All terms of the contract remained the same. The PTC has no responsibility for maintaining the service plazas under the agreements. The PTC maintains the ability to approve and/or modify the services that the operators can provide and the rates that can be charged. The service plaza operators are compensated by the users of the services and share a portion of that revenue with the PTC as rental payments. Upon completion of construction, the reconstructed assets are recognized by the PTC. The current contracts with HMSHost Restaurants, LLC and Sunoco Retail LLC and 7-Eleven Inc. expire on August 25, 2036 and January 31, 2022, respectively. 7-Eleven’s lease may be extended for three additional five-year periods. The first extension shall be at the discretion of 7-Eleven Inc., and the second and third extensions shall be mutually agreed to by both parties. As of May 31, 2021, the PTC had capitalized \$125,400 in capital assets representing all 17 service plazas that had fully completed construction and recorded deferred inflows of resources of \$74,000 related to these assets in accordance with GASB Statement No. 60. Also, as of May 31, 2021 and in accordance with GASB Statement No. 60, the PTC recognized a receivable and deferred inflow of resources in the amount of \$27,000 for the present value of guaranteed minimum rent payments. Due to the COVID-19 pandemic, in a letter dated April 8, 2020, the PTC waived the payment of minimum annual rent as set forth in the lease agreement for calendar year 2020. The receivable and deferred inflow of resources have been adjusted for this waiver. As of May 31, 2021, all deferred percentage rent payments had been received.

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

During the fiscal year ended June 30, 2021, PENNVEST issued short-term obligations to finance the issuance of loans to program participants. These obligations are issued in the form of commercial paper, and bear interest, which is due upon maturity. During the fiscal year ended June 30, 2021, PENNVEST issued no new short-term obligations. Interest rates on the instruments ranged from 0.11% to 0.12% with no maturity being greater than 120 days. As of June 30, 2021, \$30,356 in obligations remained outstanding. A schedule of changes in the short-term obligations follows:

	Balance			Balance
	July 1, 2020	Additions	Reductions	June 30, 2021
Notes payable	\$ 30,356	\$ 30,356	\$ 30,356	\$ 30,356

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

The PHEAA has reported \$5,450 of auction rate security bonds payable, \$116,627 of revenue bonds, \$2,802,352 of notes payable (consisting of student loan financings of \$722,319 and student loan floating rate notes of \$2,080,033), and \$7,848 of other obligations (consisting of a financed purchase agreement of \$1,568 and term financings of \$6,280) at June 30, 2021 as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021
Bonds payable:				
Student loan auction rate security bonds, due 2042, at interest rates of 1.43 % as of June 30, 2021 and 1.69 % as of June 30, 2021	\$ 8,000	\$ —	\$ (2,550)	\$ 5,450
Education loan revenue bonds, due 2025-2048 at fixed interest rates of 2.45%-5.00%	47,370	64,100	(2,295)	109,175
Add: premium on education loan revenue bonds	2,340	5,455	(343)	7,452
Subtotal	49,710	69,555	(2,638)	116,627
Total bonds payable	\$ 57,710	\$ 69,555	\$ (5,188)	\$ 122,077
Notes payable:				
Student loan floating rate notes, due 2028-2068 at weighted average rates of 0.81 % as of June 30, 2021 and 1.03 % as of June 30, 2020	\$ 3,104,198	\$ —	\$ (1,019,503)	\$ 2,084,695
Less: discount on student loan floating rate notes	(2,395)	—	1,110	(1,285)
Less: call premium on student loan floating rate notes	—	(3,377)	—	(3,377)
Subtotal	3,101,803	(3,377)	(1,018,393)	2,080,033
Student loan financings warehouse facilities, due 2022, at an interest rate of 1.62%. Unused portion was \$51,700 as of June 30, 2021	—	548,279	—	548,279
Student loan financings, due on demand, at an interest rate of 0.84 % as of June 30, 2021 and 0.98 % as of June 30, 2020. Unused portion was \$76,000 as of June 30, 2021	84,112	105,018	(15,090)	174,040
Total notes payable	\$ 3,185,915	\$ 649,920	\$ (1,033,483)	\$ 2,802,352
Financed Purchase Agreement, due 2024 at 0% interest as of June 30, 2021 and 2020	\$ 1,792	\$ 336	\$ (560)	\$ 1,568
Term financings, due 2029, at 0% interest as of June 30, 2021 and 2020	6,280	—	—	6,280
Subtotal	8,072	336	(560)	7,848
Plus: unamortized premium	391	—	(391)	—
Total capital and other financing obligations	\$ 8,463	\$ 336	\$ (951)	\$ 7,848

The note and bond indentures, among other things, require the PHEAA to comply with various covenants. Student loans and investments collateralize all student loan financings. As of June 30, 2021, \$3,000,000 of student loan principal and related interest receivable and \$238,500 of cash equivalents collateralized the \$2,900,000 of student loan financings.

The student loan financings and other financings are non-recourse obligations to the PHEAA's unrestricted net position and to the Commonwealth, except for the \$174,040 of student loan financings, which are borrowings from the Commonwealth's Treasury Department.

PHEAA has one additional line of credit that had a zero balance at June 30, 2021. The total unused portions of this line of credit at June 30, 2021 was \$210,000.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

The PHEAA reported debt service requirements subsequent to June 30, 2021, based upon stated maturities for student loan bonds and estimated interest payments for variable-rate debt after considering terms renegotiated after June 30, 2021 are as follows:

Year of maturity	Student Loan Bonds and Notes		Other Financing Obligations	
	Principal	Interest	Principal	Interest
2022	\$ 174,040	\$ 30,598	\$ 560	\$ —
2023	548,279	20,695	560	—
2024	—	20,695	448	—
2025	1,500	20,689	—	—
2026	6,400	20,594	—	—
2027-31	56,199	96,952	6,280	—
2032-36	71,679	93,205	—	—
2037-41	398,138	88,485	—	—
2042-46	881,940	49,457	—	—
2047-51	26,350	38,395	—	—
2052-56	—	37,815	—	—
2057-61	84,024	35,605	—	—
2062-66	403,045	31,818	—	—
2067-69	270,045	5,392	—	—
Total	\$ 2,921,639	\$ 590,395	\$ 7,848	\$ —

Reported as:

Student loan auction rate security bonds payable	\$ 5,450	\$ —
Education loan revenue bonds payable	116,627	—
Premium on revenue bonds payable	(7,452)	—
Notes payable - current	174,040	—
Notes payable - noncurrent	2,628,312	—
Discount on student loan floating rate notes	1,285	—
Call premium on student loan floating rate notes	3,377	—
Other financing obligations, current	—	560
Other financing obligations, noncurrent	—	7,288
Total principal	\$ 2,921,639	\$ 7,848

Other than the education loan revenue bonds, the student loan financings PHEAA reported are variable-rate debt, which have interest rates that reset on various dates. As of June 30, 2021, interest rates on \$5,450 reset based upon auctions every 28 days, \$2,200,000 was indexed to the one-month or three-month LIBOR (London interbank offered rate).

The PHEAA reported current notes payable of \$174,040 at June 30, 2021. Also, the PHEAA reported noncurrent notes payable of \$2,628,312 at June 30, 2021.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Long-Term Obligations

Significant revenue bond obligations of the PTC (as of May 31, 2021) and the PHFA (as of June 30, 2021), changes during the fiscal year and annual principal and interest payments for long-term debt outstanding are as follows:

REVENUE BONDS PAYABLE & DIRECT PLACEMENTS AND BORROWINGS	Issue Dates	Interest Rates	Maturity Dates Through	Balance June 1, 2020	Additions	Reductions	Balance May 31, 2021
PTC.....	2005-21	various	2052	\$ 12,906,981	\$ 1,300,733	\$ 373,870	\$ 13,833,844
Less: unamortized bond discount ..				(335)	—	(14)	(321)
Add: unamortized bond premium.....				1,143,479	184,541	64,788	1,263,232
Add: direct placements and borrowings				906,775	150,000	350,000	706,775
TOTAL.....				\$ 14,956,900	\$ 1,635,274	\$ 788,644	\$ 15,803,530

Year of Maturity	Bonds			Direct Placements and Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2022.....	\$ 480,170	\$ 607,278	\$ 1,087,448	\$ —	\$ 7,749	\$ 7,749
2023.....	259,545	608,189	867,734	50,000	7,971	57,971
2024.....	469,270	595,501	1,064,771	45,000	6,713	51,713
2025.....	299,955	583,100	883,055	88,500	5,875	94,375
2026.....	316,660	574,862	891,522	—	4,079	4,079
2027-31.....	1,824,357	2,644,937	4,469,294	—	20,402	20,402
2032-36.....	2,667,675	2,120,663	4,788,338	91,600	18,036	109,636
2037-41.....	3,381,355	1,489,503	4,870,858	340,880	10,779	351,659
2042-46.....	2,800,927	741,453	3,542,380	90,795	253	91,048
2047-51.....	1,319,385	149,155	1,468,540	—	—	—
2052-56.....	14,545	582	15,127	—	—	—
Total.....	\$13,833,844	\$10,115,223	\$23,949,067	\$ 706,775	\$ 81,857	\$ 788,632

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

REVENUE BONDS & NOTES PAYABLE	Issue Dates	Interest Rates	Maturity Dates Through	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
PHFA	2004-2021	various	2052	\$ 3,035,855	\$ 506,740	\$ 409,913	\$ 3,132,682
Add: unamortized bond premium				29,584	22,787	5,154	47,217
TOTAL				<u>\$ 3,065,439</u>	<u>\$ 529,527</u>	<u>\$ 415,067</u>	<u>\$ 3,179,899</u>

Year of Maturity	Principal	Interest	Total
2022	\$ 119,735	\$ 90,931	\$ 210,666
2023	123,208	88,941	212,149
2024	119,680	85,536	205,216
2025	112,738	82,216	194,954
2026	128,166	78,832	206,998
2027-31	648,860	335,286	984,146
2032-36	685,260	236,719	921,979
2037-41	477,580	146,297	623,877
2042-46	440,630	78,442	519,072
2047-51	253,075	18,129	271,204
2052-56	23,750	356	24,106
Total	<u>\$ 3,132,682</u>	<u>\$ 1,241,685</u>	<u>\$ 4,374,367</u>

The table below presents significant bond obligations of SSHE at June 30, 2021 and changes during the fiscal year then ended, followed by principal and interest payments for long-term debt outstanding.

BONDS PAYABLE	Issue Dates	Interest Rates	Maturity Dates Through	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
SSHE	2008-21	various	2055	\$ 1,064,790	\$1,144,200	\$ 185,610	\$ 2,023,380

Year of Maturity	Principal	Interest	Total
2022	\$ 112,480	\$ 66,028	\$ 178,508
2023	116,035	60,260	176,295
2024	121,895	56,676	178,571
2025	99,160	52,677	151,837
2026	99,250	49,650	148,900
2027-31	521,345	200,626	721,971
2032-36	461,065	123,858	584,923
2037-41	380,385	54,893	435,278
2042-46	103,145	10,001	113,146
2047-51	5,825	1,271	7,096
2052-56	2,795	331	3,126
Total	<u>\$ 2,023,380</u>	<u>\$ 676,271</u>	<u>\$ 2,699,651</u>

Note: The total principal obligations outstanding do not include \$830,849 in bonds and notes payable reported by component units of the SSHE.

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

The PHFA is financing a portion of housing projects through the issuance of special limited obligation bonds for the construction or preservation of affordable multifamily housing in the Commonwealth. The bonds are secured by the properties financed and are payable from income generated by the properties. At June 30, 2021, the PHFA had \$486,739 of such bonds outstanding. Neither the PHFA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds payable are reported in the accompanying financial statements.

The State Public School Building Authority (SPSBA) finances construction and improvement projects for public schools through the issuance of tax-exempt instruments (bonds, notes or other obligations) for the purpose of making lower cost tax-exempt financing available to school districts and community colleges. The debt instruments issued by SPSBA represent limited obligations payable solely from payments made by the related borrowing institutions and related assets held by trustees. At June 30, 2021, the SPSBA had \$2,386,629 of debt outstanding. Neither the SPSBA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds are reported in the accompanying financial statements.

The Pennsylvania Higher Educational Facilities Authority (PHEFA) finances projects through the issuance of tax-exempt instruments (bonds, notes or other obligations) to provide a source of tax-exempt financing for colleges and universities. The debt instruments issued by the PHEFA represent limited obligations payable solely from payments made by the related borrowing institutions and related assets held by the trustees. At June 30, 2021, the PHEFA had \$5,493,583 of debt outstanding. Neither the PHEFA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds are reported in the accompanying financial statements.

The Pennsylvania Economic Development Financing Authority (PEDFA) finances projects on behalf of local industrial and commercial development authorities to promote economic growth within the Commonwealth. Revenue bonds issued by the PEDFA represent limited obligations payable solely from PEDFA financed project revenues. At June 30, 2021, the PEDFA had \$5,181,276 of debt outstanding of which \$4,724,816 represented conduit debt. Neither the PEDFA nor the Commonwealth has any obligation for this conduit debt. Therefore, neither the financed assets nor the bonds are reported in the accompanying financial statements.

Refunded Debt**PTC**

In June 2020, the PTC issued \$225,820 of 2020 Series Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2039. The 2020 Series Senior Revenue Bonds were issued to refund a portion of the 2013 Series B Senior Revenue Bonds (\$100,000), 2014 Series B-1 Senior Revenue Bonds (\$100,000), 2018 Series A-1 Senior Revenue Bonds (\$25,000) and for paying the costs of issuing the 2020 Series Senior Revenue Bonds.

PHFA

On April 1, 2021 the PHFA issued Series 2021-134 single family mortgage revenue bonds in the amount of \$157,925. A portion of the proceeds of this issuance and a PHFA contribution were used to refund \$26,710 of Series 2005-89 bonds and \$14,610 of Series 2006-93B bonds. This refunding resulted in an economic gain (the difference between the present value of the old and new debt service payments) equal to \$4,077 and a reduction of future debt service payments equal to \$4,553.

SSHE

In July 2020, \$38,000 of the net proceeds from the Series AX tax-exempt revenue bonds were used to current refund Series AH, Series AJ, and Series AL. The refunding resulted in an accounting gain of approximately \$1,800 and was performed to reduce the debt service by approximately \$10,000 and an economic gain (difference between the present values of the old and new debt service payments) of approximately \$9,000. The accounting gain, or deferred gain on refunding, is reported as a deferred inflow of resources that will be amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

In October 2020, the net proceeds from the Series AY taxable revenue bonds were used to purchase US Government Securities that were deposited irrevocably in trust with an escrow agent to advance refund a portion of the Series AM revenue bonds. The bonds were paid off on June 15, 2021. Although it resulted in an accounting loss of \$924 the refunding was performed to reduce debt service by approximately \$11,200 and an economic gain (difference between the present values of the old and new debt service payments) of approximately \$10,200. The accounting loss, or deferred loss on refunding, is reported as a deferred outflow of resources.

Net Pension Liability and Pension Expense

The PTC, PHEAA, PENNVEST and SSHE all have employees that are members of the Pennsylvania State Employees Retirement System (SERS). The SSHE is also a member of the Public School Employees Retirement System (PSERS). For the fiscal year ended June 30, 2021 (May 31, 2021 for the PTC), these entities reported a net pension liability, proportionate share percentage and pension expense as follows:

SERS

Fiscal year ended June 30, 2021	PTC (May 31, 2021)	PHEAA	PENNVEST	SSHE
Net pension liability	\$ 288,472	\$ 335,994	\$ 7,955	\$ 808,636
Proportionate share percentage	1.58 %	1.84 %	0.04 %	4.42 %
Pension (expense) income	\$ (155,000)	\$ (17,706)	\$ (1,106)	\$ (67,307)

PSERS

Fiscal year ended June 30, 2021	SSHE
Net pension liability	\$ 91,388
Proportionate share percentage	0.19 %
Pension (expense) income	\$ (19,155)

The PHFA’s full time employees participate in two defined benefit single employer plans. For the fiscal year ended June 30, 2021, the PHFA reported a net pension liability of \$21,314 and a pension expense of \$4,643.

Other Postemployment Benefits (OPEB)

Each DPCU with employees participates in the Commonwealth’s Retired Employees Health Program (REHP) except for the PTC and the PHFA, which have both established and sponsor their own, separate OPEB plans. The SSHE participates in the REHP, for certain employees, as well as its own, separate SSHE OPEB plan. All separate, non-REHP plans, have been established under pertinent statutory authority. All DPCUs implemented GASB 75, Accounting and Financial Reporting for Postemployment Retirement Benefits Other Than Pensions. The net OPEB liability is reported for the PTC (May 31, 2021), PHFA, PHEAA, PENNVEST and SSHE at June 30, 2021 as follows:

As of and for the fiscal year ended June 30, 2021	PTC (May 31, 2021)	PHFA	PHEAA	PENNVEST	SSHE
Net OPEB liability	\$ 14,791	\$ 104,314	\$ 280,434	\$ 4,930	\$ 1,983,294
OPEB (expense) income	\$ 16,100	\$ 7,133	\$ (16,800)	\$ 481	\$ (23,333)

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Commitments and Contingencies

PTC

The PTC Commitment to the PG: In July 2007, Act 44 was signed into law and, among other things, provides funding for roads, bridges and transit throughout the Commonwealth. Under Act 44, the PTC and the Pennsylvania Department of Transportation (PennDOT) established a 50-year Lease and Funding Agreement (Agreement). Act 44 and the Agreement require the PTC to make scheduled quarterly payments to the PennDOT. Subsequently, in April 2014, the PTC and PennDOT executed Amendment Number One to the aforementioned Lease and Funding Agreement in accordance with Act 89 of November 2013. In accordance with Act 89 and the Amended Funding Agreement, the PTC's aggregate annual payment to PennDOT for fiscal year 2014 through fiscal year 2022 remains at \$450,000 and at 2023 through the term of the Amended Funding Agreement, the PTC's aggregate annual payment to PennDOT is \$50,000, which must be paid from current revenues. Through June 30, 2021 the PTC has paid PennDOT \$7,450,000; the **Motor License Fund** received \$2,250,000 and the Public Transportation Trust Fund received \$5,200,000.

Act 44 authorizes the PTC to issue special revenue bonds up to an aggregate principal amount of \$5,000,000. No more than \$600,000 in aggregate principal amount of such special revenue bonds, exclusive of original issue discount, may be issued in any calendar year. No such bonds may be issued unless the amended funding agreement is in effect, and no such bonds may be outstanding beyond the stated term of the amended funding agreement at the time of issuance. Special revenue refunding bonds (as defined in § 9511.2 of Act 44) shall not be deemed to count against the total or annual maximum issuance volume under Act 44. Pursuant to Act 89, special revenue bonds may not be issued by the PTC to fund any portion of its annual payment obligation commencing July 1, 2014, as all of such annual payment obligation is to be deposited in the Public Transportation Trust Fund after such date, although special revenue refunding bonds could be issued. The outstanding principal related to these special revenue bonds was \$1,002,231 at May 31, 2021.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Deferred Outflows and Inflows of Resources

The following table discloses the deferred outflows of resources and deferred inflows of resources at June 30, 2021 (May 31, 2021 for the PTC):

Deferred Outflows of Resources	PTC	PHFA	PHEAA	PENNVEST	SSHE
Hedge derivatives	\$ 119,058	\$ 5,712	\$ —	\$ —	\$ —
Pensions					
Difference between expected and actual experience	2,708	7,165	3,154	75	7,831
Net difference between projected and actual investment earnings	—	—	—	—	4,016
Changes in proportions	360	—	246	1,043	4,805
Changes in assumptions	32,077	2,427	37,361	885	89,917
Difference between employer contributions and proportionate share of total contributions	1,197	—	2,550	6	2,158
Contributions after the measurement date	14,334	1,931	21,450	485	62,918
OPEB					
Difference between expected and actual experience	5,658	3,609	243	4	495
Net difference between projected and actual investment earnings	17,766	—	100	2	195
Changes in proportions	—	—	49,439	493	20,436
Changes in assumptions	—	10,658	36,383	640	301,658
Contributions after the measurement date	47,250	1,791	3,709	201	40,730
Deferred loss on bond refundings	305,548	787	1,882	—	5,929
Total	\$ 545,956	\$ 34,080	\$ 156,517	\$ 3,834	\$ 541,088
Deferred Inflows of Resources					
Deferred gain on bond refundings	\$ 8,415	\$ —	\$ 25	\$ —	\$ 3,131
Deferred gain on sales leaseback	—	—	—	—	—
Hedge derivatives	7,688	—	—	—	—
Split-interest agreements	—	—	—	—	9
Pensions					
Difference between expected and actual experience	324	232	377	9	3,097
Net difference between projected and actual investment earnings	36,908	6,249	42,989	1,018	103,460
Changes in proportions	46,303	—	58,500	19	69,260
Changes in assumptions	—	1,649	—	—	—
Difference between employer contributions and proportionate share of total contributions	28	—	16	21	2,683
OPEB					
Difference between expected and actual experience	1,379	14,197	134,555	2,365	460,788
Net difference between projected and actual investment earnings	—	—	—	—	—
Changes in proportions	—	—	245	301	30,312
Changes in assumptions	2,905	6,960	21,732	382	140,188
Difference between employer contributions and proportionate share of total contributions	—	—	—	—	—
Service concession arrangements	101,028	—	—	—	—
Total	\$ 204,978	\$ 29,287	\$ 258,439	\$ 4,115	\$ 812,928

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

On June 3, 2021, the PTC transferred assets with a net book value of \$41,400 to PennDOT. These assets were overhead bridges that carry state roads. The PTC replaced the bridges and, upon completion, ownership and maintenance responsibilities of the bridges are transferred to PennDOT.

On June 9, 2021, the 2020 Line of Credit expired and the PTC executed a new \$200,000 line of credit as a continuing liquidity safeguard from PNC Bank, N.A.

On June 30, 2021, the PTC executed an unwind of the Mainline SIFMA/LIBOR Basis Swap with Deutsche Bank in exchange for receiving a termination amount of \$3,600. The notional amount of the Deutsche Bank swap at the time of termination was \$115,800.

On July 14, 2021, the PTC issued \$385,800 of 2021 Series B Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2051. The 2021 Series B Senior Revenue Bonds were issued to refund a portion of the PTC's 2014 Series B-1 Senior Revenue Bonds (\$150,000), 2018 Series A-1 Senior Revenue Bonds (\$39,710), and 2018 Series B Senior Revenue Bonds (\$70,000), to finance the cost of various capital expenditures set forth in the PTC's Ten-Year Capital Plan, including, but not limited to, the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or rehabilitation of certain interchanges, and for paying the costs of issuing the 2021 B Senior Revenue Bonds.

On July 23, 2021, the PTC executed the Consent to Transfer of Lease Agreement regarding the pending sale of HMSHost Corporation's U.S. motorway business to Irish Buyer, LLC a consortium of Applegreen Ltd. and Blackstone Infrastructure Partners. HMSHost Family Restaurants, LLC shall undergo a formal name change to Applegreen USA Family Restaurants, LLC and would remain the Lessee under the service plaza agreements and continue to support the day-to-day operations.

On July 27, 2021, the PTC issued \$393,790 of 2021 Series B Subordinate Revenue Bonds at a fixed rate with a maturity date of December 1, 2051. The 2021 Series B Subordinate Revenue Bonds were issued primarily to finance a portion of the cost of making payments to PennDOT in accordance with Act 44 and Act 89 and for paying the cost of issuing the 2021 Series B Subordinate Revenue Bonds.

On July 28, 2021, the PTC made its final \$450,000 payment to PennDOT, as mandated by Act 44 and Act 89.

On September 2, 2021, the PTC issued \$327,520 2021 Series A Oil Franchise Tax Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2051. The 2021 Series A Oil Franchise Tax Senior Revenue Bonds were issued to finance the costs of the 2021 Construction Project, refunding of the 2009 Series A Oil Franchise Tax Senior Revenue Bonds (\$3,855) and for paying the costs of issuing the 2021 Series A Oil Franchise Tax Senior Revenue Bonds.

On September 2, 2021, the PTC issued \$201,480 2021 Series B Oil Franchise Tax Subordinate Revenue Bonds at a fixed rate with a maturity date of December 1, 2053. The 2021 Series B Oil Franchise Tax Subordinate Revenue Bonds were issued to finance the costs of the 2021 Construction Project, refunding of the 2009 Series D Oil Franchise Tax Subordinate Revenue Bonds (\$19,475) and for paying the costs of issuing the 2021 Series B Oil Franchise Tax Subordinate Revenue Bonds.

On September 21, 2021, the PTC approved an amendment to the lease agreement with 7-Eleven, Inc. to exercise its option to renew the service plaza lease agreement for an additional five years.

On November 18, 2021, the PTC issued \$275,000 of 2021 Series C Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2051. The 2021 Series C Senior Revenue Bonds were issued primarily to refund a portion of the PTC's 2011 Series A Senior Revenue Bonds (\$8,445), to finance the cost of various capital expenditures set forth in the PTC's Ten-Year Capital Plan, including, but not limited to, the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or rehabilitation of certain interchanges, and for paying the costs of issuing the 2021 Series C Senior Revenue Bonds.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

On November 18, 2021, the PTC cash defeased the PTC's 2011 Series B Subordinate Revenue Bonds (\$7,560), 2012 Series A Subordinate Revenue Bonds (\$5,620), 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds (\$1,845), and 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds (\$2,340).

PHFA

Under the Federal American Rescue Plan Act (ARPA) of 2021, the Commonwealth of Pennsylvania was allocated \$350,000 for the Federal Homeowner Assistance Fund (HAF). The PHFA has been designated by the state legislature to administer this program in the Commonwealth. These funds will be used to assist Pennsylvania homeowners impacted by COVID to help them avoid mortgage delinquency, default, foreclosure, loss of utilities or home energy services, and displacement. The PHFA is working to develop the Pennsylvania HAF program, which will need to be approved by the U.S. Treasury before the final program can become operational. The PHFA received \$35,000 in August 2021 to begin operating the PA HAF pilot program, the remaining funds will be disbursed in increments to the PHFA after approval of the final program by the U.S. Treasury.

The PHFA was appropriated \$50,000 in Act 1A of the State Fiscal Recovery Funds for the Construction Cost Relief program. The Commonwealth has authorized this program to provide additional funding to affordable housing projects that have been impacted by COVID due to either increased construction costs or decreased funding sources due to lower valuation of low-income housing tax credits by investors. This program is designed to fill these COVID related funding gaps for projects currently in construction but not yet completed or projects which have not been able to close and start construction due to COVID disruptions. This funding is secondary and will be used to supplement projects that cannot fill gaps from existing sources such as Housing Trust Fund monies and other grant awards. The PHFA received \$50,000 subsequent to June 30, 2021 to begin operating the program.

On July 6, 2021, the PHFA sold single family mortgage revenue bonds Series 2021-135B totaling \$38,895. Proceeds were used to refund certain single family mortgage revenue bonds in Series 2012-114A.

On September 21, 2021, the PHFA sold single family mortgage revenue bonds Series 2021-136 totaling \$294,750. Proceeds were used to refund certain single family mortgage revenue bonds in Series 2012-114C, purchase new single family mortgage loans, and to provide down payment assistance loans for persons and families of low and moderate income.

The PHFA intends to issue single family mortgage revenue bonds Series 2021-137 totaling \$253,150 on December 20, 2021.

PHEAA

The current federal loan contract is set to expire on December 14, 2021. On December 27, 2020, the Consolidations Appropriations Act, 2021 was signed into law, which allows the United States Department of Education (ED) to extend the ending period of performance for the servicing contracts scheduled to expire on December 14, 2021 for up to an additional two years from the date of expiration. However on July 8, 2021, PHEAA notified ED that it would not be accepting an extension to its current student loan servicing contract beyond what is needed to ensure a smooth transition for its borrowers. Currently PHEAA is working with ED to finalize a transition plan.

SSHE

On July 14, 2021, the SSHE approved the integration of the existing Bloomsburg University, Lock Haven University, and Mansfield University into a single Northeast integrated University, and the existing California University, Edinboro University, and Clarion University into a single Western Integrated University. These integrations have been designed to leverage the strength of these universities to position them to better serve students and to improve financial sustainability.

NOTE 17 - SUBSEQUENT EVENTS

Budget Stabilization Surplus Transfer

In accordance with Act 24 of 2021, the Secretary of the Budget certified a surplus in the **General Fund** for the 2020-2021 fiscal year. A transfer to the Budget Stabilization Reserve Fund in the amount of \$2,621,516 occurred on September 27, 2021.

NOTE 18 - RESTATEMENTS

Effective July 1, 2020, the Commonwealth implemented the Governmental Accounting Standards Board's (GASB) Statement No. 87, "Leases." GASB 87 requires all leases to be reported as financing arrangements of the right to use a third party's asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Certain outlays prior to the commencement of the lease are included in the recognition of the intangible right-to-use lease asset or deferred inflow of resources for lessee and lessor arrangements, respectively, that are not recognized in the associated liability or receivable. These differences in valuation resulted in the restatement of the Commonwealth's beginning balances. The below charts display the related changes to Commonwealth's beginning net position, governmental fund balances, and proprietary statement of net position as of July 1, 2020.

Government-Wide Statement of Net Position

	Governmental Activities	Business-type Activities
Net position, as previously reported at June 30, 2020	\$ (6,625,853)	\$ (1,050,671)
Implementation of GASB 87		
General Fund	2,354	—
Other non-major funds		
Fish and Boat	(10)	—
Philadelphia Regional Port Authority	—	539
Total net position, as restated at July 1, 2020	<u>\$ (6,623,509)</u>	<u>\$ (1,050,132)</u>

Governmental Funds Balance Sheet

	General Fund	Motor License Fund	Nonmajor Funds	Total
Fund balance, as previously reported at June 30, 2020	\$ (1,525,203)	\$ 595,346	\$ 5,109,079	\$ 4,179,222
Implementation of GASB 87				
General Fund	(243)	\$ —	—	(243)
Other non-major governmental funds				
Fish and Boat	—	—	(10)	(10)
Total fund balance, as restated at July 1, 2020	<u>\$ (1,525,446)</u>	<u>\$ 595,346</u>	<u>\$ 5,109,069</u>	<u>\$ 4,178,969</u>

Statement of Proprietary Net Position

	Enterprise Funds			Internal Service Funds
	Major Funds	Nonmajor Funds	Total	
Net position, as previously reported at June 30, 2020	(2,139,182)	\$ 1,088,511	(1,050,671)	\$ (30,681)
Implementation of GASB 87				
Philadelphia Regional Port Authority	—	539	539	—
Total net position, as restated at July 1, 2020	<u>\$ (2,139,182)</u>	<u>\$ 1,089,050</u>	<u>\$ (1,050,132)</u>	<u>\$ (30,681)</u>



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Required Supplementary Information

Commonwealth of Pennsylvania
Schedule of Pension Amounts
Commonwealth's Proportionate Share of the Net Pension Liability
for the Last Ten Fiscal Years Ended June 30 ⁽¹⁾

(Amounts in thousands)	2021 ⁽³⁾⁽⁴⁾	2020	2019	2018	2017	2016 ⁽²⁾	2015
SERS as of 12/31							
Commonwealth's portion of the net pension liability.....	89.03 %	82.82 %	82.57 %	82.48 %	82.44 %	83.05 %	82.94 %
Commonwealth's proportionate share of the net pension liability	\$15,335,771	\$15,054,957	\$17,199,452	\$14,261,464	\$15,879,154	\$15,097,007	\$12,318,240
Commonwealth's covered payroll.....	\$5,314,622	\$5,160,460	\$5,021,603	\$4,859,626	\$4,801,482	\$4,883,069	\$4,668,334
Commonwealth's proportionate share of the net pension liability as a percentage of its covered payroll	288.56 %	291.74 %	342.51 %	293.47 %	330.71 %	309.17 %	263.87 %
Plan fiduciary net position as a percentage of the total pension liability.....	67.00 %	63.10 %	56.40 %	63.00 %	57.80 %	58.90 %	64.80 %
PSERS as of 6/30							
Non-employer contributing entity							
Commonwealth's proportionate share of the net pension liability	\$ 303,115	\$ 287,853	\$ 290,094	\$ 290,651	\$ 291,791	\$ 251,536	\$ 223,083

- The notes to required supplementary information are an integral part of this schedule. -

(1) The Commonwealth adopted GASB 68 on a prospective basis for the fiscal year ended June 30, 2015; therefore, only seven years are presented in the above schedule.

(2) Every five years, the SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The 18th Investigation of Actuarial Experience study for the period 2011 – 2015 was released in March 2016 and can be viewed at www.sers.pa.gov. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and mortality rates). Some assumption adjustments increased projected cost and some decreased projected cost, but the overall result was an increase to the net pension liability.

(3) Every five years, the SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and mortality rates). The 19th Investigation of Actuarial Experience study covering the period 2015-2019 was released and approved by the SERS Board in July 2020 and can be viewed at www.sers.pa.gov.

(4) Act 2019-105 allows eligible employers to make a one-time lump sum payment of their respective unfunded liability. In April 2020, a non-Commonwealth employer submitted a one-time lump sum payment of \$1.06 billion toward its unfunded liability. This lump sum payment reduced the net pension liability for the SERS plan, but exclusively benefits the employer who made the payment. This caused the Commonwealth's portion of the SERS plan's net pension liability to increase significantly.

Commonwealth of Pennsylvania
Schedule of Pension Amounts
Commonwealth's Schedule of Contributions
for the Last Ten Fiscal Years Ended June 30 ⁽¹⁾

(Amounts in thousands)	<u>2021 ⁽²⁾</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
SERS as of 6/30							
Contractually required contribution.....	\$ 1,825,640	\$ 1,771,080	\$ 1,700,900	\$ 1,669,819	\$ 1,473,131	\$ 1,222,732	\$ 1,005,654
Contributions in relation to the contractually required contribution.....	(1,825,640)	(1,771,080)	(1,706,169)	(1,664,550)	(1,473,131)	(1,222,732)	(1,005,654)
Contribution deficiency (excess).....	—	—	(5,269)	5,269	—	—	—
Commonwealth's covered payroll.....	\$ 5,389,793	\$ 5,206,011	\$ 5,096,774	\$ 4,922,164	\$ 4,831,379	\$ 4,682,957	\$ 4,678,587
Contributions as a percentage of its covered payroll.....	33.87 %	34.02 %	33.48 %	33.82 %	30.49 %	26.11 %	21.49 %
PSERS as of 6/30							
Non-employer							
Contributions to the plan.....	\$ 28,532	\$ 28,758	\$ 27,555	\$ 25,642	\$ 22,510	\$ 18,732	\$ 14,994

- The notes to required supplementary information are an integral part of this schedule. -

(1) The Commonwealth adopted GASB 68 on a prospective basis for the fiscal year ended June 30, 2015; therefore, only seven years are presented in the above schedule.

(2) Contributions to the PSERS plan as of June 30, 2021 are based on an accrued estimate, and are revised annually to the Commonwealth's proportionate share of contributions reported by the PSERS.

Commonwealth of Pennsylvania
Schedule of OPEB Amounts
Changes in the Net OPEB Liability and Related Ratios
Retired Employees Health Program (REHP)
For the Last Ten Fiscal Years Ended June 30, ⁽¹⁾
(Amounts in thousands)

REHP	2021 ⁽²⁾	2020	2019	2018	2017
As of and for the fiscal year ended June 30					
Total OPEB liability					
Service cost	\$ 473,034	\$ 353,220	\$ 398,501	\$ 527,110	\$ 617,953
Interest	288,619	384,165	586,939	736,947	633,617
Differences between expected and actual experience	(1,073,951)	12,936	(5,082,545)	(5,445,495)	—
Changes of assumptions	(1,171,069)	1,617,170	403,428	(576,855)	(2,228,187)
Benefit payments	(455,512)	(448,809)	(550,144)	(611,081)	(649,705)
Contributions - retiree	49,517	48,531	49,179	48,585	52,198
Net change in total OPEB liability	(1,889,362)	1,967,213	(4,194,642)	(5,320,789)	(1,574,124)
Total OPEB liability - beginning	12,788,546	10,821,333	15,015,975	20,336,764	21,910,888
Total OPEB liability - ending (a)	\$ 10,899,184	\$ 12,788,546	\$ 10,821,333	\$ 15,015,975	\$ 20,336,764
Plan fiduciary net position					
Contributions - employer	\$ 451,879	\$ 465,137	\$ 558,876	\$ 591,796	\$ 653,720
Contributions - retiree	49,517	48,531	49,179	48,585	52,198
Net investment income	157,799	2,421	21,283	27,351	31,833
Benefit payments	(455,512)	(448,809)	(550,144)	(611,081)	(649,705)
Administrative expense	(5,807)	(5,707)	(5,562)	(5,232)	(6,213)
Net change in plan fiduciary net position	197,876	61,573	73,632	51,419	81,833
Plan fiduciary net position - beginning	469,053	407,480	333,848	282,429	200,596
Plan fiduciary net position - ending (b)	\$ 666,929	\$ 469,053	\$ 407,480	\$ 333,848	\$ 282,429
Net OPEB liability (a) - (b)	\$ 10,232,255	\$ 12,319,493	\$ 10,413,853	\$ 14,682,127	\$ 20,054,335
Plan fiduciary net position as a % of total OPEB liability	6.12 %	3.67 %	3.77 %	2.22 %	1.39 %
Covered-employee payroll	\$ 4,161,481	\$ 4,083,699	\$ 3,992,729	\$ 3,911,464	\$ 3,902,336
Total/Net OPEB liability as a % of covered-employee payroll	245.88 %	301.67 %	260.82 %	375.36 %	513.91 %

- The notes to required supplementary information are an integral part of this schedule. -

(1) The Commonwealth adopted GASB 74 on a prospective basis for the fiscal year ended June 30, 2017; therefore only five years are presented in the above schedule.

(2) For the fiscal year ended June 30, 2021, the discount rate applied for the development of the net OPEB liability was 3.63%. The discount rate is blended based on the long-term expected rate of return on assets held in the OPEB investment pool and the 20-year Bond Buyer GO Index. The investment rate of return used was 6.75% and the inflation rate was 2.50%.

Commonwealth of Pennsylvania
Schedule of OPEB Amounts
Changes in the Net OPEB Liability and Related Ratios

Retired Pennsylvania State Police Program (RPSPP)
For the Last Ten Fiscal Years Ended June 30, ⁽¹⁾

(Amounts in thousands)

RPSPP	2021 ⁽²⁾	2020	2019	2018	2017
As of and for the fiscal year ended June 30					
Total OPEB liability					
Service cost	\$ 212,753	\$ 150,941	\$ 145,817	\$ 161,103	\$ 193,336
Interest	153,410	205,461	234,405	225,601	196,049
Differences between expected and actual experience	494,350	(216,290)	(728,659)	(202,655)	—
Changes of assumptions	839,654	1,018,439	296,435	(272,746)	(803,662)
Benefit payments	(161,802)	(138,281)	(143,323)	(140,440)	(123,595)
Contributions - retiree	1,131	1,137	1,072	1,077	1,143
Net change in total OPEB liability	1,539,496	1,021,407	(194,253)	(228,060)	(536,729)
Total OPEB liability - beginning	6,808,752	5,787,345	5,981,598	6,209,658	6,746,387
Total OPEB liability - ending (a)	\$ 8,348,248	\$ 6,808,752	\$ 5,787,345	\$ 5,981,598	\$ 6,209,658
Plan fiduciary net position					
Contributions - employer	\$ 158,772	\$ 142,448	\$ 142,292	\$ 133,813	\$ 122,870
Contributions - retiree	1,131	1,137	1,072	1,077	1,143
Net investment income	34,919	1,058	4,854	8,714	11,133
Benefit payments	(161,802)	(138,281)	(143,323)	(140,440)	(123,595)
Administrative expense	(661)	(559)	(510)	(473)	(417)
Net change in plan fiduciary net position	32,359	5,803	4,385	2,691	11,134
Plan fiduciary net position - beginning	106,545	100,742	96,357	93,666	82,532
Plan fiduciary net position - ending (b)	\$ 138,904	\$ 106,545	\$ 100,742	\$ 96,357	\$ 93,666
Net OPEB liability (a) - (b)	\$ 8,209,344	\$ 6,702,207	\$ 5,686,603	\$ 5,885,241	\$ 6,115,992
Plan fiduciary net position as a % of total OPEB liability	1.66 %	1.56 %	1.74 %	1.61 %	1.51 %
Covered-employee payroll	\$ 447,926	\$ 426,728	\$ 408,648	\$ 387,245	\$ 386,602
Total/Net OPEB liability as a % of covered-employee payroll	1,832.75 %	1,570.60 %	1,391.57 %	1,519.77 %	1,581.99 %

- The notes to required supplementary information are an integral part of this schedule. -

(1) The Commonwealth adopted GASB 74 on a prospective basis for the fiscal year ended June 30, 2017; therefore only five years are presented in the above schedule.

(2) For the fiscal year ended June 30, 2021, the discount rate applied for the development of the net OPEB liability was 2.16%. The discount rate is based on the 20-year Bond Buyer GO Index. The investment rate of return used was 5.00% and the inflation rate was 2.50%.

Commonwealth of Pennsylvania
Schedule of OPEB Amounts
Contributions and Investment Returns
Retired Employees Health Program (REHP)
Retired Pennsylvania State Police Program (RPSPP)
For the Last Ten Fiscal Years Ended June 30, ⁽¹⁾

(Amounts in thousands)

Schedule of Contributions

	2021	2020	2019	2018	2017
REHP					
Contractually required contribution ⁽²⁾	\$ 274,020	\$ 459,372	\$ 588,273	\$ 493,288	\$ 734,378
Contributions in relation to the contractually required contribution	(451,879)	(465,137)	(558,876)	(591,796)	(653,720)
Contribution deficiency (excess)	\$ (177,859)	\$ (5,765)	\$ 29,397	\$ (98,508)	\$ 80,658
Covered-employee payroll	\$4,161,481	\$4,083,699	\$3,992,729	\$3,911,464	\$3,902,336
Contributions as a % of covered-employee payroll	10.86 %	11.39 %	14.00 %	15.13 %	16.75 %
RPSPP					
Contractually required contribution ⁽²⁾	\$ 152,857	\$ 149,434	\$ 144,786	\$ 131,499	\$ 132,201
Contributions in relation to the contractually required contribution	(158,772)	(142,448)	(142,292)	(133,813)	(122,870)
Contribution deficiency (excess)	\$ (5,915)	\$ 6,986	\$ 2,494	\$ (2,314)	\$ 9,331
Covered-employee payroll	\$ 447,926	\$ 426,728	\$ 408,648	\$ 387,245	\$ 386,602
Contributions as a % of covered-employee payroll	35.45 %	33.38 %	34.82 %	34.56 %	31.78 %
Premium Assistance Plan					
Non-employer contributing entity					
Contributions to the plan	\$ 722	\$ 705	\$ 701	\$ 677	
Commonwealth's proportionate share of the net OPEB liability	\$ 13,260	\$ 13,806	\$ 12,599	\$ 11,990	

Investment Returns

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

- The notes to required supplementary information are an integral part of this schedule. -

(1) The Commonwealth adopted GASB 74 on a prospective basis for the fiscal year ended June 30, 2017; therefore, only five years are presented in the above schedule for REHP and RPSPP. The Commonwealth adopted GASB 75 on a prospective basis for the fiscal year ended June 30, 2018; therefore, only four years are presented in the above schedule for the Premium Assistance Plan.

(2) Contribution requirements for the REHP and RPSPP are determined annually by the Commonwealth based on projected cash flow requirements and a projected contribution toward pre-funding future cash outlays.

(3) The weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts invested.

Commonwealth of Pennsylvania

Schedule of OPEB Amounts

Changes in the Total OPEB Liability and Related Ratios

For the Last Ten Fiscal Years Ended June 30, ⁽¹⁾

(Amounts in thousands)

	2021	2020	2019	2018
Judiciary				
Service cost	\$ 38,760	\$ 23,829	\$ 23,134	\$ 22,279
Interest	20,911	26,715	27,007	25,155
Differences between expected and actual experience	—	(63,125)	—	—
Changes of assumptions	54,642	45,949	36,007	—
Benefit payments	(23,877)	(22,573)	(22,491)	(23,152)
Net changes in total OPEB liability	\$ 90,436	\$ 10,795	\$ 63,657	\$ 24,282
Total OPEB liability - beginning	760,309	749,514	685,857	661,575
Total OPEB liability - ending	\$ 850,745	\$ 760,309	\$ 749,514	\$ 685,857
Covered-employee payroll	\$ 212,516	\$ 213,663	\$ 207,871	\$ 205,458
Total/Net OPEB liability as a % of covered-employee payroll	400.32 %	355.84 %	360.57 %	333.82 %
House				
Service cost	\$ 28,087	\$ 28,429	\$ 30,547	\$ 32,884
Interest	20,793	17,974	20,434	16,804
Changes of benefit terms	6,140	—	—	—
Differences between expected and actual experience	(4,000)	—	(84,654)	—
Changes of assumptions	274,966	(10,332)	5,688	(50,056)
Benefit payments	(20,625)	(19,340)	(19,880)	(18,692)
Net changes in total OPEB liability	\$ 305,361	\$ 16,731	\$ (47,865)	\$ (19,060)
Total OPEB liability - beginning	601,923	585,192	633,057	652,117
Total OPEB liability - ending	\$ 907,284	\$ 601,923	\$ 585,192	\$ 633,057
Covered-employee payroll	\$ 95,126	\$ 92,188	\$ 92,188	\$ 92,898
Total/Net OPEB liability as a % of covered-employee payroll	953.77 %	652.93 %	634.78 %	681.45 %
Senate				
Service cost	\$ 6,175	\$ 5,389	\$ 4,260	\$ 4,116
Interest	7,310	9,670	13,576	13,284
Changes of assumptions	24,483	(51,867)	—	—
Benefit payments	(9,649)	(9,845)	(8,967)	(9,142)
Net changes in total OPEB liability	\$ 28,319	\$ (46,653)	\$ 8,869	\$ 8,258
Total OPEB liability - beginning	354,581	401,234	392,365	384,107
Total OPEB liability - ending	\$ 382,900	\$ 354,581	\$ 401,234	\$ 392,365
Covered-employee payroll	\$ 52,262	\$ 52,262	\$ 48,530	\$ 48,530
Total/Net OPEB liability as a % of covered-employee payroll	732.65 %	678.47 %	826.78 %	808.50 %

-The notes to required supplementary information are an integral part of this schedule-

(1) The Commonwealth adopted GASB 75 on a prospective basis for the fiscal year ended June 30, 2018; therefore, only four years are presented in the above schedule for Judiciary, House, and Senate. A trust or equivalent arrangement meeting the requirements of GASB 75 has not been established for the Judiciary, House, or Senate OPEB plans and assets have not been accumulated to fund OPEB.

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Major Funds
 General Fund
 For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis) ⁽²⁾
REVENUES:					
State Programs:					
Corporation taxes	\$ 5,136,300	\$ 311,700	\$ 5,448,000	\$ 885,490	\$ 6,333,490
Consumption taxes	13,365,100	67,700	13,432,800	940,299	14,373,099
Other taxes	17,238,500	202,200	17,440,700	1,032,347	18,473,047
TOTAL TAX REVENUE	35,739,900	581,600	36,321,500	2,858,136	39,179,636
Nontax revenue	1,214,800	(46,100)	1,168,700	43,682	1,212,382
TOTAL REVENUE STATE	36,954,700	535,500	37,490,200	2,901,818	40,392,018
less: Refunds	(1,295,000)	33,000	(1,262,000)	—	(1,262,000)
plus: Departmental services	5,820,982	—	5,820,982	11,904	5,832,886
TOTAL STATE PROGRAMS	41,480,682	568,500	42,049,182	2,913,722	44,962,904
Federal programs	30,580,111	18,342,154	48,922,265	—	48,922,265
TOTAL REVENUES	72,060,793	18,910,654	90,971,447	2,913,722	93,885,169
EXPENDITURES:					
State programs ⁽¹⁾	31,597,357	8,236,852	39,834,209	11,904	39,846,113
Federal programs	30,580,111	18,342,154	48,922,265	—	48,922,265
TOTAL EXPENDITURES	62,177,468	26,579,006	88,756,474	11,904	88,768,378
REVENUES OVER/(UNDER) EXPENDITURES	9,883,325	(7,668,352)	2,214,973	2,901,818	5,116,791
OTHER FINANCING SOURCES (USES):					
Prior year lapses	—	220,000	220,000	—	220,000
Transfer to Budget Stabilization Reserve Fund	—	—	—	(2,621,516)	(2,621,516)
TOTAL OTHER FINANCING SOURCES (USES)	—	220,000	220,000	(2,621,516)	(2,401,516)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	9,883,325	(7,313,818)	2,569,507	145,768	2,715,275
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2020, REVISED	(2,734,070)	—	(2,734,070)	18,795	(2,715,275)
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2021	\$ 7,149,255	\$ (7,313,818)	\$ (164,563)	\$ 164,563	\$ —

(1) Current year lapse amount in the Actual (Budgetary Basis) column is already netted out of the state expenditure amount.

(2) The reconciliation from the Actual Budgetary Basis to the Statement of Revenues, Expenditures, and Changes in Net Position is included in Note 3 beginning on page 210.

For Supporting Documentation, please go to www.budget.pa.gov

- The notes to required supplementary information are an integral part of this schedule. -

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Major Funds
 Special Revenue Fund-Motor License
 For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis) ⁽³⁾
REVENUES:					
State Programs:					
Liquid fuels taxes	\$ 1,726,700	\$ (40,000)	\$ 1,686,700	\$ (30,341)	\$ 1,656,359
Motor licenses and fees	1,068,000	15,600	1,083,600	67,755	1,151,355
Other Motor License Fund revenues ⁽¹⁾	11,400	(1,100)	10,300	7,555	17,855
TOTAL REVENUE STATE	2,806,100	(25,500)	2,780,600	44,969	2,825,569
plus: Departmental services ⁽¹⁾	111,260	—	111,260	(31,112)	80,148
TOTAL STATE PROGRAMS	2,917,360	(25,500)	2,891,860	13,857	2,905,717
Federal programs	2,517,375	—	2,517,375	(539,498)	1,977,877
TOTAL REVENUES	5,434,735	(25,500)	5,409,235	(525,641)	4,883,594
EXPENDITURES:					
State programs	2,887,381	4,329	2,891,710	(88,662)	2,803,048
Federal programs	2,517,375	—	2,517,375	(539,498)	1,977,877
TOTAL EXPENDITURES	5,404,756	4,329	5,409,085	(628,160)	4,780,925
REVENUES OVER (UNDER) EXPENDITURES	29,979	(29,829)	150	102,519	102,669
OTHER FINANCING SOURCES:					
Current year lapses ⁽²⁾	—	25,000	25,000	(25,000)	—
Prior year lapses	—	25,000	25,000	38,887	63,887
TOTAL OTHER FINANCING SOURCES	—	50,000	50,000	13,887	63,887
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	29,979	20,171	50,150	116,406	166,556
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2020	(51,190)	—	(51,190)	—	(51,190)
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2021	\$ (21,211)	\$ 20,171	\$ (1,040)	\$ 116,406	\$ 115,366

(1) Act 44 receipts are included in Other **Motor License Fund** Revenues.

(2) Current year lapse amount in the Actual (Budgetary Basis) column is already netted out of the state expenditure amount.

(3) The reconciliation from the Actual Budgetary Basis to the Statement of Revenues, Expenditures, and Changes in Net Position is included in Note 3 starting on page 210.

For Supporting Documentation, please go to www.budget.pa.gov

- The notes to required supplementary information are an integral part of this schedule. -

Note 1 - Budget Preparation Process

The process of preparing the **General Fund** Budget for the Commonwealth of Pennsylvania begins nearly one year before the new budget is anticipated to be enacted and takes effect on July 1 each year. The budget process begins in August of the year previous to the budget year with the distribution of both the Budget Instructions and Program Policy Guidelines by the Office of the Budget and the Governor's Office, respectively. These provide detailed guidelines and define major policy issues to be considered when agencies complete their budget requests. As required by statute, agencies must prepare budgets that indicate the cost of supporting activities at the level expected in the immediate budget year and the ensuing four budget years. The five-year horizon does not include future program changes but considers the requirements and demands of current law, regulation, policy and program decisions.

Agencies submit budget requests to the Secretary of the Budget beginning in early October. From October through January, the Office of the Budget reviews these requests for accuracy and adherence to policy guidelines and prepares funding recommendations for the Secretary of the Budget and the Governor.

During December, the Governor meets with leaders of the General Assembly to inform them of anticipated spending and revenue levels and to discuss related budgetary issues. The Governor then conducts reviews to make the final budget decisions. The Governor's Executive Budget is finalized in January and is submitted to the General Assembly in early February.

After receiving the budget document, the appropriations committees of both houses of the legislature hold hearings to review agency funding requests. The General Assembly passes the budget in the form of a General Appropriations Bill and individual appropriations bills. At the time of passage of these bills and their presentation to the Governor, the official revised revenue estimates for the budget year are issued. If the combined appropriations bills passed by the legislature exceed the revenue estimates, the Governor is required and has the authority to either veto entire appropriations bills or to reduce the amount of appropriations in order to produce a budget that is in balance. The Governor also has the power to reduce or veto any specific appropriation even if the total appropriations do not exceed estimated revenues. The Governor's signing of the appropriations bills and any revenue bills is the last step in the approval stage of the budget. Additional information regarding Pennsylvania's budgeting process may be located at: www.budget.pa.gov and click on Current and Proposed Commonwealth Budgets.

Note 2 – Basis of Budgeting

On the budgetary basis, certain estimated tax revenue accruals are recorded at fiscal year-end for the **General Fund** and the **Motor License Fund**, a special revenue fund. Accruals include sales and use taxes and personal income taxes, both applicable to the **General Fund**, and liquid fuels taxes applicable to the **Motor License Fund**. These taxes are estimated to be owed to the Commonwealth but are not collected by fiscal year-end. Actual budgetary federal program revenues are recorded in amounts equal to federal expenditures. Also, estimated encumbrances and unspent appropriation balances are available for all funds at fiscal year-end to pay certain direct expenditures for salaries, wages, travel, and utility costs payable against current year appropriation authority but paid in the subsequent year. Over-estimates of prior year encumbrances and available appropriation balances are lapsed in the subsequent year and under-estimates are charged to subsequent year appropriation authority.

Budgeted revenues in the budgetary comparison schedules represent official estimates while expenditures represent amounts originally adopted or legally amended. Actual amounts are presented on the budgetary basis. Because the budgetary basis differs from the modified accrual basis of accounting for governmental funds, a reconciliation of the differences between budgetary basis and the modified accrual basis of reporting is presented.

Note 3 - Reconciliation of Budgetary to GAAP Basis Amounts

The Commonwealth adopts formal annual budgets for two major governmental funds (**General Fund** and **Motor License Fund**, a special revenue fund) and three nonmajor governmental funds (Workmen's Compensation Administration, Banking, and Milk Marketing special revenue funds). The budgetary comparison schedules for budgeted major and nonmajor funds present comparisons of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from governmental fund statement information primarily by the omission of certain revenue and expenditure accruals.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

(amounts in thousands)

The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting for the major budgeted funds:

	General Fund			
	General Fund (Budgeted)	General Fund Components (Nonbudgeted)	Total	Motor License Fund
Budgetary Basis-				
Revenues and other sources over/(under) expenditures and other uses	\$ 2,715,275	\$ —	\$ 2,715,275	\$ 166,556
Adjustments:				
Basis differences				
To adjust revenues, other financing sources and related receivables and unearned revenue	(12,227,643)	—	(12,227,643)	2,197,646
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	14,074,388	—	14,074,388	(1,651,953)
Basis difference adjustments	<u>1,846,745</u>	<u>—</u>	<u>1,846,745</u>	<u>545,693</u>
Perspective differences				
Nonbudgeted statutory funds which are financially reported as part of this fund:				
Revenues	—	1,106,778	1,106,778	361
Expenditures	—	(1,070,326)	(1,070,326)	(521)
Perspective difference adjustments	<u>—</u>	<u>36,452</u>	<u>36,452</u>	<u>(160)</u>
Net adjustments	<u>1,846,745</u>	<u>36,452</u>	<u>1,883,197</u>	<u>545,533</u>
Modified accrual basis- net change in governmental fund balance .	<u>\$ 4,562,020</u>	<u>\$ 36,452</u>	<u>\$ 4,598,472</u>	<u>\$ 712,089</u>

The above revenue adjustments include net revenue accruals and unearned revenue, amounts to recognize certain pass through grants, and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass through grants, and amounts to recognize certain expenditures related to federal and other grants that are not reported for budgetary reporting purposes.

Note 4 – Budgetary Compliance – Legal Level of Budgetary Control

The General Assembly passes, and the Governor approves (or reduces or vetoes), individual appropriations as part of the annual budget adoption process. Budgetary expenditure control occurs at the appropriation level; this is the lowest level of legislative spending control. Encumbrances and expenditures within individual appropriations may not exceed total amounts appropriated plus actual augmentations (certain revenues credited to specific appropriations). Also, appropriation transfers between or within departments and any supplemental appropriations require both legislative and gubernatorial approval. The legislatively adopted budget for the **General Fund** includes a net \$8,236,852 of appropriation increases approved for the fiscal year ended June 30, 2021.

Due to the volume of appropriations within the **General Fund** and **Motor License Fund**, separately available reports, '**General Fund** Budgetary Comparison Schedule Rationale' and '**Motor License Fund** Budgetary Comparison Schedule Rationale' are available at the Pennsylvania Office of the Budget website: www.budget.pa.gov under Publications and Reports, Annual Financial Report. These reports provide source documentation for the original, final and actual budgetary revenues and expenditures, as well as demonstrate budgetary expenditure compliance by appropriation (the legal level of budgetary control) for the fiscal year ended June 30, 2021.

Three legislatively budgeted non-major special revenue funds are reported in the combining special revenue budgetary comparison schedules. These non-major funds are comprised of fewer individual appropriations, and the budgetary comparison schedules are presented at the legal level of budgetary control. The Governor controls spending by using executive authorizations for special revenue funds not controlled by legislatively adopted budgets. More information on the three non-major special revenue funds budgetary compliance is included with the special revenue funds budgetary comparison schedules.



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Combining Financial Statements

Including
Nonmajor Budgetary Comparison Schedules

Commonwealth of Pennsylvania
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

(Amounts in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS				
Cash	\$ 65,877	\$ —	\$ 8	\$ 65,885
Cash with fiscal agents	6,306	—	—	6,306
Temporary investments	3,725,235	35,642	852,466	4,613,343
Long-term investments	2,066,691	—	171,679	2,238,370
Receivables (net):				
Taxes	—	—	37,004	37,004
Accounts	261,743	—	—	261,743
Investment income	3,735	2	34	3,771
Investment sale proceeds	42,806	—	—	42,806
Lease rentals	118	—	—	118
Due from other funds	377,103	—	26,122	403,225
Due from component units	1,505	223	6,550	8,278
Due from Federal Government	16,279	—	—	16,279
Advances to other funds	366,500	—	—	366,500
TOTAL ASSETS	\$ 6,933,898	\$ 35,867	\$ 1,093,863	\$ 8,063,628
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 352,651	\$ —	\$ 108,625	\$ 461,276
Investment purchases payable	116,306	—	—	116,306
Securities lending obligations	76,014	—	3,084	79,098
Due to other funds	152,083	10	23,520	175,613
Due to component units	16,254	—	—	16,254
Due to pension trust funds	3,404	—	6	3,410
Due to political subdivisions	166,679	—	34,578	201,257
Due to other governments	721	—	2	723
Unearned revenue	54,020	—	—	54,020
Advances from other funds	20,398	—	—	20,398
TOTAL LIABILITIES	958,530	10	169,815	1,128,355
Deferred inflows of resources:				
TOTAL DEFERRED INFLOWS OF RESOURCES	174,864	—	—	174,864
Fund balances:				
Restricted	5,725,505	—	—	5,725,505
Committed	89,234	35,857	924,048	1,049,139
Unassigned deficit	(14,235)	—	—	(14,235)
TOTAL FUND BALANCES	5,800,504	35,857	924,048	6,760,409
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,933,898	\$ 35,867	\$ 1,093,863	\$ 8,063,628

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

For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Taxes	\$ 2,552,555	\$ —	\$ 394,661	\$ 2,947,216
Licenses and fees	1,405,887	—	—	1,405,887
Intergovernmental	795,778	49,826	—	845,604
Charges for sales and services	469,353	—	7,655	477,008
Investment income	216,296	16	12,294	228,606
Interest on notes and loans	2	—	—	2
Other	278,286	12,435	—	290,721
TOTAL REVENUES	5,718,157	62,277	414,610	6,195,044
EXPENDITURES:				
Current:				
Direction and supportive services	298,710	—	53,049	351,759
Protection of persons and property	1,017,966	—	6,758	1,024,724
Health and human services	652,798	—	—	652,798
Public education	621,000	—	15,487	636,487
Recreation and cultural enrichment	217,467	—	58,931	276,398
Economic development	584,023	—	101,412	685,435
Transportation	1,296,728	—	376,954	1,673,682
Capital outlay	60,952	—	327,691	388,643
Debt service:				
Principal retirement	—	823,360	—	823,360
Interest and fiscal charges	838	494,786	6,250	501,874
TOTAL EXPENDITURES	4,750,482	1,318,146	946,532	7,015,160
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	967,675	(1,255,869)	(531,922)	(820,116)
OTHER FINANCING SOURCES (USES):				
Bonds issued	—	—	1,019,600	1,019,600
Refunding bonds issued	—	495,287	238	495,525
Premium on bonds/refunding bonds	—	—	150,966	150,966
Discount on bonds issued	—	—	(1,831)	(1,831)
Transfers in	624,408	1,324,721	17,326	1,966,455
Transfers out	(539,113)	(39,000)	(89,640)	(667,753)
Payment to refunded bond escrow agent	—	(494,440)	—	(494,440)
Leases and installment purchases	2,934	—	—	2,934
NET OTHER FINANCING SOURCES (USES)	88,229	1,286,568	1,096,659	2,471,456
NET CHANGE IN FUND BALANCES	1,055,904	30,699	564,737	1,651,340
FUND BALANCES, July 1, 2020 (restated)	4,744,600	5,158	359,311	5,109,069
FUND BALANCES, June 30, 2021	\$ 5,800,504	\$ 35,857	\$ 924,048	\$ 6,760,409

-THIS PAGE INTENTIONALLY LEFT BLANK-



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Special Revenue Funds

Including
Nonmajor Budgetary Comparison Schedules

SPECIAL REVENUE FUNDS
DESCRIPTION
NONMAJOR FUNDS

Account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Banking Fund - to account for the administration of the Department of Banking and Securities and regulation of financial institutions. Revenue is received from fees, assessments, charges, and penalties collected or recovered from persons, firms, corporations, or associations regulated by the Department of Banking and Securities.

Milk Marketing Fund - to account for the operation of the Milk Marketing Board and to serve as a depository for amounts due to dairy farmers from underpayments by dealers. Revenue is received from license fees, fines, penalties, and permits relating to the milk industry.

Workmen's Compensation Administration Fund - to account for the administration of the Pennsylvania Workers' Compensation Act and the Pennsylvania Occupational Disease Act. Insurance companies and self-insured businesses are assessed a periodic fee for costs incurred in administering these acts.

Workers' Compensation Security Fund - to account for the payment of workers' compensation claims to individuals who are insured by an insolvent insurance company and for the costs to administer the program. Funds are derived from an annual assessment on all insurance carriers authorized to transact and provide workers' compensation insurance in the Commonwealth.

Tobacco Settlement Fund - established to deposit all payments received by the Commonwealth pursuant to the Master Settlement Agreement with tobacco product manufacturers. Deposits into this fund include: jurisdictional payments received by the Commonwealth from the Master Settlement Agreement, strategic contribution payments from the Master Settlement Agreement, and earnings from investments. Expenditures from this fund are determined by the annual budget appropriated to each program.

Public Transportation Trust Fund - to provide dedicated funding for public transportation in the Commonwealth. Revenues come from scheduled payments by the Pennsylvania Turnpike Commission, a portion of the Sales and Use Tax, and transfers from the Public Transportation Assistance Fund and the **Lottery Fund**. Monies in this fund are disbursed as grants to public transit agencies for operating costs (including Shared Ride and Free Transit for Older Pennsylvanians), capital and asset improvements, and programs of statewide significance.

Gaming Fund - to account for the administration of the Race Horse Development and Gaming Act and Act 42 of 2017. Revenue is received from license fees, a percentage of the gross terminal revenue generated by licensed gaming facilities, a percentage of gross interactive gaming revenue generated through simulated slot machines and simulated table games, and assessments from licensees for the administration and enforcement of fantasy contests.

Other - to account for programs related to restoration, conservation, protection, and management of natural resources; the payment of prescription drugs for eligible citizens 65 years or older; the preservation of historical landmarks; vocational rehabilitation services; administrative and regulatory activities of various departmental programs; and miscellaneous Commonwealth activities. This "Other" category is an aggregation of 52 individual special revenue funds.

There are a total of 59 individual special revenue funds; the **Motor License Fund** is reported as a Major Fund in the basic financial statements.

Commonwealth of Pennsylvania
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds
June 30, 2021

(Amounts in thousands)

	Budgeted Funds								Total
	Banking	Milk Marketing	Workmen's Compensation Admin.	Workers' Compensation Security	Tobacco Settlement Fund	Public Transportation Trust	Gaming	Other	
ASSETS									
Cash	\$ 26	\$ 782	\$ —	\$ 39	\$ 232	\$ 18,150	\$ 4,312	\$ 42,336	\$ 65,877
Cash with fiscal agents	—	—	—	—	—	—	—	6,306	6,306
Temporary investments	27,041	3,441	81,029	91,625	157,159	974,198	875,760	1,514,982	3,725,235
Long-term investments	18,397	—	—	653,720	—	373,563	—	1,021,011	2,066,691
Receivables (net):									
Accounts	11,526	—	11	—	174,739	—	—	75,467	261,743
Investment income	1	—	—	2,710	—	33	32	959	3,735
Investment sale proceeds	—	—	—	21,730	—	—	—	21,076	42,806
Lease rentals	—	—	—	—	—	—	—	118	118
Due from other funds	2	1	3	145,000	418	80,195	2,470	149,014	377,103
Due from pension trust funds	—	—	—	—	—	—	—	—	—
Due from component units	—	—	—	—	—	—	1,505	—	1,505
Due from Federal Government	—	—	—	—	9,036	—	—	7,243	16,279
Due from other governments	—	—	—	—	—	—	—	—	—
Advances to other funds	—	—	16,500	350,000	—	—	—	—	366,500
TOTAL ASSETS	\$ 56,993	\$ 4,224	\$ 97,543	\$ 1,264,824	\$ 341,584	\$ 1,446,139	\$ 884,079	\$ 2,838,512	\$ 6,933,898
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued liabilities	\$ 1,059	\$ 87	\$ 2,763	\$ 5,227	\$ 108,630	\$ 75,603	\$ 28,702	\$ 130,580	\$ 352,651
Investment purchases payable	—	—	—	57,227	—	—	—	59,079	116,306
Securities lending obligations	330	—	—	32,668	—	6,710	—	36,306	76,014
Due to other funds	21	3	61	17	15,920	9,113	23,585	103,363	152,083
Due to component units	—	—	162	—	—	—	15,000	1,092	16,254
Due to pension trust funds	95	20	256	5	4	28	633	2,363	3,404
Due to political subdivisions	—	—	6	—	953	10,707	58,384	96,629	166,679
Due to other governments	22	5	56	1	1	7	69	560	721
Unearned revenue	—	2,016	—	—	—	—	308	51,696	54,020
Advances from other funds	—	—	—	—	—	—	898	19,500	20,398
TOTAL LIABILITIES	1,527	2,131	3,304	95,145	125,508	102,168	127,579	501,168	958,530
Deferred inflows of resources:									
TOTAL DEFERRED INFLOWS OF RESOURCES	—	—	—	—	174,739	—	—	125	174,864
Fund balances:									
Restricted	55,466	2,093	94,239	1,169,679	—	1,343,971	756,500	2,303,557	5,725,505
Committed	—	—	—	—	41,337	—	—	47,897	89,234
Unassigned deficit	—	—	—	—	—	—	—	(14,235)	(14,235)
TOTAL FUND BALANCES	55,466	2,093	94,239	1,169,679	41,337	1,343,971	756,500	2,337,219	5,800,504
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 56,993	\$ 4,224	\$ 97,543	\$ 1,264,824	\$ 341,584	\$ 1,446,139	\$ 884,079	\$ 2,838,512	\$ 6,933,898

Commonwealth of Pennsylvania
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds
For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Budgeted Funds								Total
	Banking	Milk Marketing	Workmen's Compensation Admin.	Workers' Compensation Security	Tobacco Settlement Fund	Public Transportation Trust	Gaming	Other	
REVENUES:									
Taxes.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 603,160	\$ 1,431,150	\$ 518,245	\$ 2,552,555
Licenses and fees.....	10,521	2,635	6	74,551	—	321,107	88,238	908,829	1,405,887
Intergovernmental.....	—	—	—	—	177,588	468,187	5,883	144,120	795,778
Charges for sales and services.....	23,331	—	63,402	—	10,062	1,394	—	371,164	469,353
Investment income.....	1,283	7	—	100,254	253	26,430	690	87,379	216,296
Interest on notes and loans.....	—	—	—	—	—	—	—	2	2
Other.....	23	—	107	291	247,122	—	—	30,743	278,286
TOTAL REVENUES	35,158	2,642	63,515	175,096	435,025	1,420,278	1,525,961	2,060,482	5,718,157
EXPENDITURES:									
Current:									
Direction and supportive services.....	—	—	—	—	—	—	298,307	403	298,710
Protection of persons and property.....	20,203	2,481	—	21,298	—	—	79,643	894,341	1,017,966
Health and human services.....	—	—	61,115	—	513,283	—	10,122	68,278	652,798
Public education.....	—	—	—	—	—	—	621,000	—	621,000
Recreation and cultural enrichment.....	—	—	—	—	—	—	10,069	207,398	217,467
Economic development.....	—	—	226	—	2,390	—	37,994	543,413	584,023
Transportation.....	—	—	—	—	—	1,228,880	—	67,848	1,296,728
Capital outlay.....	—	—	1,679	—	—	14,149	517	44,607	60,952
Interest and fiscal charges.....	236	—	477	—	—	—	13	112	838
TOTAL EXPENDITURES	20,439	2,481	63,497	21,298	515,673	1,243,029	1,057,665	1,826,400	4,750,482
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	14,719	161	18	153,798	(80,648)	177,249	468,296	234,082	967,675
OTHER FINANCING SOURCES (USES):									
Transfers in.....	—	—	2,687	—	115,337	119,076	200,061	187,247	624,408
Transfers out.....	—	—	—	—	—	(30,000)	(175,807)	(333,306)	(539,113)
Leases and installment purchases.....	—	—	1,679	—	—	—	517	738	2,934
NET OTHER FINANCING SOURCES (USES)	—	—	4,366	—	115,337	89,076	24,771	(145,321)	88,229
NET CHANGE IN FUND BALANCES	14,719	161	4,384	153,798	34,689	266,325	493,067	88,761	1,055,904
FUND BALANCES, JULY 1, 2020 (restated)	40,747	1,932	89,855	1,015,881	6,648	1,077,646	263,433	2,248,458	4,744,600
FUND BALANCES, JUNE 30, 2021	\$ 55,466	\$ 2,093	\$ 94,239	\$ 1,169,679	\$ 41,337	\$ 1,343,971	\$ 756,500	\$ 2,337,219	\$ 5,800,504

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Nonmajor Funds
 Special Revenue Fund-Banking
 For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Licenses and fees	\$ 25,722	\$ 2,787	\$ 28,509	\$ 3,692	\$ 32,201
Fines, penalties and interest	400	409	809	148	957
Investment income	500	(82)	418	16	434
TOTAL REVENUES	26,622	3,114	29,736	3,856	33,592
EXPENDITURES:					
State Programs:					
General Government Operations	23,786	—	23,786	—	23,786
Transfer to Institution Resolution Account	3,000	—	3,000	—	3,000
TOTAL EXPENDITURES	26,786	—	26,786	—	26,786
REVENUES OVER (UNDER) EXPENDITURES	(164)	3,114	2,950	3,856	6,806
OTHER FINANCING SOURCES:					
Prior year lapses	—	28	28	—	28
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(164)	3,142	2,978	3,856	6,834
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2020	4,815	—	4,815	—	4,815
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2021	\$ 4,651	\$ 3,142	\$ 7,793	\$ 3,856	\$ 11,649

Budgetary Compliance

The Commonwealth's legal level of budgetary control for expenditures is at the appropriation (or program) level. The schedule above separately displays the appropriation(s) within the fund to demonstrate budgetary expenditure compliance.

Reconciliation of Budgetary to GAAP Basis Amounts

The Commonwealth adopts a formal annual budget for the Banking Department Fund. The Budgetary Comparison Schedule presented above presents a comparison of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from governmental fund statement information primarily by the omission of certain revenue and expenditure accruals. The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting (amounts in thousands):

Budgetary basis — revenues and other sources under expenditures (from Actual column above)	\$ 6,834
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue	1,538
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	6,347
Net adjustments	7,885
Modified accrual basis — net change in governmental fund balance	\$ 14,719

The above revenue adjustments include net revenue accruals/deferrals, amounts to recognize certain pass-through grants and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass-through grants, and amounts to recognize certain expenditures related to federal and other grants that are not reported for budgetary reporting purposes.

— The notes on pages 210 to 212 are an integral part of this schedule. —

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Nonmajor Funds
 Special Revenue Fund-Milk Marketing
 For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Licenses and fees	\$ 2,743	\$ —	\$ 2,743	\$ (127)	\$ 2,616
Fines, penalties and interest	5	—	5	(4)	1
Investment income	72	(60)	12	(5)	7
TOTAL REVENUES	<u>2,820</u>	<u>(60)</u>	<u>2,760</u>	<u>(136)</u>	<u>2,624</u>
EXPENDITURES:					
State programs:					
General Operations	2,840	—	2,840	—	2,840
REVENUES OVER (UNDER) EXPENDITURES	<u>(20)</u>	<u>(60)</u>	<u>(80)</u>	<u>(136)</u>	<u>(216)</u>
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2020	1,456	—	1,456	—	1,456
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2021	<u>\$ 1,436</u>	<u>\$ (60)</u>	<u>\$ 1,376</u>	<u>\$ (136)</u>	<u>\$ 1,240</u>

Budgetary Compliance

The Commonwealth's legal level of budgetary control for expenditures is at the appropriation (or program) level. The schedule above separately displays the appropriation(s) within the fund to demonstrate budgetary expenditure compliance.

Reconciliation of Budgetary to GAAP Basis Amounts

The Commonwealth adopts a formal annual budget for the Milk Marketing Fund. The Budgetary Comparison Schedule presented above presents a comparison of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from governmental fund statement information primarily by the omission of certain revenue and expenditure accruals. The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting (amounts in thousands):

Budgetary basis — revenues and other sources over expenditures (from Actual column above)	<u>\$ (216)</u>
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue	18
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	<u>359</u>
Net adjustments	<u>377</u>
Modified accrual basis — net change in governmental fund balance	<u>\$ 161</u>

The above revenue adjustments include net revenue accruals/deferrals, amounts to recognize certain pass-through grants, and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass-through grants, and amounts to recognize certain expenditures related to federal and other grants that are not reported for budgetary reporting purposes.

— The notes on pages 210 to 212 are an integral part of this schedule. —

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Nonmajor Funds
 Special Revenue Fund-Workmen's Compensation Administration
 For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Taxes, net of refunds	\$ 76,102	\$ (7,904)	\$ 68,198	\$ (409)	\$ 67,789
Fines, penalties and interest	2	18	20	(14)	6
Departmental Services	300	—	300	(259)	41
Miscellaneous	50	350	400	(293)	107
TOTAL REVENUES	76,454	(7,536)	68,918	(975)	67,943
EXPENDITURES:					
State programs:					
Administration of Workers' Compensation	76,102	—	76,102	(259)	75,843
REVENUES OVER (UNDER) EXPENDITURES	352	(7,536)	(7,184)	(716)	(7,900)
OTHER FINANCING SOURCES:					
Prior year lapses	—	4,828	4,828	—	4,828
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	352	(2,708)	(2,356)	(716)	(3,072)
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2020	66,104	—	66,104	—	66,104
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2021	\$ 66,456	\$ (2,708)	\$ 63,748	\$ (716)	\$ 63,032

Budgetary Compliance

The Commonwealth's legal level of budgetary control for expenditures is at the appropriation (or program) level. The schedule above separately displays the appropriation(s) within the fund to demonstrate budgetary expenditure compliance.

Reconciliation of Budgetary to GAAP Basis Amounts

The Commonwealth adopts a formal annual budget for the Workmen's Compensation Administration Fund. The Budgetary Comparison Schedule presented above presents a comparison of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from governmental fund statement information primarily by the omission of certain revenue and expenditure accruals. The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting (amounts in thousands):

Budgetary basis — revenues and other sources under expenditures (from Actual column above)	<u>\$ (3,072)</u>
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue	(4,889)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	<u>12,345</u>
Net adjustments	<u>7,456</u>
Modified accrual basis — net change in governmental fund balance	<u>\$ 4,384</u>

The above revenue adjustments include net revenue accruals/deferrals, amounts to recognize certain pass-through grants, and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass-through grants, and amounts to recognize certain expenditures related to federal and other grants that are not reported for budgetary reporting purposes.

— The notes on pages 210 to 212 are an integral part of this schedule. —

-THIS PAGE INTENTIONALLY LEFT BLANK-



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Debt Service Funds

**DEBT SERVICE FUNDS
DESCRIPTION
NONMAJOR FUNDS**

Debt service funds account for the accumulation of resources, principally from transfers from other Funds, for the payment of general long-term debt principal and interest.

Pennsylvania Infrastructure Investment Authority Redemption Fund - to account for the payment of principal and interest on bonds issued for loans to local water companies for the repair, construction, extension, and improvement of water supply systems, dams, port facilities, and water control systems. Funding consists of transfers from the **General Fund** and the Pennsylvania Infrastructure Investment Authority and investment income.

Capital Debt Fund - to account for the payment of principal and interest related to general obligation bonds issued for capital projects authorized by Capital Budget Acts. Funding consists of primarily from transfers from the **General Fund** and the **Motor License Fund**, facility rental, and investment income.

Growing Greener Bond Sinking Fund - payments for principal and interest for the Growing Greener Bond Fund are made from this Fund. Funding consists of transfers from the Environmental Stewardship Fund.

Water and Sewer Systems Assistance Bond Sinking Fund - payments to redeem or pay interest on bonds issued for the Water and Sewer Systems Assistance Fund are made from this Fund. Funding is requested annually by the Governor and appropriated by the General Assembly.

Water Supply and Wastewater Treatment Sinking Fund - monies in this fund are used to redeem or pay interest on bonds issued for the Water Supply and Wastewater Treatment Fund. Funding consists of monies appropriated annually by the General Assembly.

Other - these funds account for the payment of principal and interest on bonds issued for loans to nursing homes and volunteer fire companies, compensation to Vietnam conflict veterans, finance of various environmental initiatives, and for water and wastewater infrastructure projects related to economic development. Funding consists of transfers from the **General Fund**, Environmental Stewardship Fund, and investment income. This other category is an aggregation of 13 individual debt service funds.

There are a total of 18 individual debt service funds; all are reported as nonmajor funds.

Commonwealth of Pennsylvania
Combining Balance Sheet
Nonmajor Governmental Funds
Debt Service Funds

June 30, 2021

(Amounts in thousands)

	Pennsylvania Infrastructure Investment Authority Redemption	Capital Debt	Growing Greener Bond Sinking	Water and Sewer Systems Assistance Bond Sinking	Water Supply and Wastewater Treatment Sinking	Other	Total
ASSETS							
Temporary investments.....	\$ 6,847	\$ 28,635	\$ 6	\$ 2	\$ —	\$ 152	\$ 35,642
Receivables (net):							
Investment income	—	2	—	—	—	—	2
Due from component units	223	—	—	—	—	—	223
TOTAL ASSETS	\$ 7,070	\$ 28,637	\$ 6	\$ 2	\$ —	\$ 152	\$ 35,867
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	—	10	—	—	—	—	10
TOTAL LIABILITIES	—	10	—	—	—	—	10
Fund balances:							
Committed	7,070	28,627	6	2	—	152	35,857
TOTAL FUND BALANCES	7,070	28,627	6	2	—	152	35,857
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,070	\$ 28,637	\$ 6	\$ 2	\$ —	\$ 152	\$ 35,867

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

For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Pennsylvania Infrastructure Investment Authority Redemption	Capital Debt	Growing Greener Bond Sinking	Water and Sewer Systems Assistance Bond Sinking	Water Supply and Wastewater Treatment Sinking	Other	Total
REVENUES:							
Intergovernmental.....	\$ 1,358	\$ 48,468	\$ —	\$ —	\$ —	\$ —	\$ 49,826
Investment income.....	7	8	—	—	—	1	16
Other.....	12,433	2	—	—	—	—	12,435
TOTAL REVENUES	13,798	48,478	—	—	—	1	62,277
EXPENDITURES:							
Debt service:							
Principal retirement.....	5,540	800,613	7,932	8,410	865	—	823,360
Interest and fiscal charges.....	2,534	480,661	5,677	3,138	1,281	1,495	494,786
TOTAL EXPENDITURES	8,074	1,281,274	13,609	11,548	2,146	1,495	1,318,146
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,724	(1,232,796)	(13,609)	(11,548)	(2,146)	(1,494)	(1,255,869)
OTHER FINANCING SOURCES (USES):							
Refunding bonds issued.....	—	495,287	—	—	—	—	495,287
Transfers in.....	—	1,295,923	13,609	11,548	2,146	1,495	1,324,721
Transfers out.....	—	(39,000)	—	—	—	—	(39,000)
Payment to refunded bond escrow agent.....	—	(494,440)	—	—	—	—	(494,440)
NET OTHER FINANCING SOURCES (USES)	—	1,257,770	13,609	11,548	2,146	1,495	1,286,568
NET CHANGE IN FUND BALANCES	5,724	24,974	—	—	—	1	30,699
FUND BALANCES, JULY 1, 2020	1,346	3,653	6	2	—	151	5,158
FUND BALANCES, JUNE 30, 2021	\$ 7,070	\$ 28,627	\$ 6	\$ 2	\$ —	\$ 152	\$ 35,857



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Capital Projects Funds

**CAPITAL PROJECTS FUNDS
DESCRIPTION
NONMAJOR FUNDS**

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities, including those provided to political subdivisions or other public organizations.

Capital Facilities Fund - to account for general obligation bond proceeds used to fund capital projects specifically itemized and authorized by capital budget acts. Projects fall within six broad categories: public improvements, public improvement-original furniture and equipment, transportation assistance, redevelopment assistance, flood control and highway projects. Such projects include those of the primary government and also grants to non-primary government recipients.

Keystone Recreation, Park and Conservation Fund - to account for bond proceeds and a percentage of the state realty transfer tax. The amounts are used to acquire, improve and expand Commonwealth and community parks, recreation facilities, historic sites, zoos, public libraries, nature preserves and wildlife habitats.

Growing Greener Bond Fund - to account for the proceeds of bonds issued. The money will be used to finance various environmental projects such as watershed protection, mine drainage remediation, advanced energy, flood protection, brownfields remediation, state parks and forests facilities, open space conservation, farmland preservation and various capital improvement projects including county environmental initiatives.

Water Supply and Wastewater Treatment Fund - funding for this program is generated from the \$250 million bond issue approved by the electorate in April of 2004. Funds are allocated to the **Commonwealth Financing Authority** and the Pennsylvania Infrastructure Investment Authority (PENNVEST) to be used for grants and loans for new and existing water supply and wastewater system projects in the Commonwealth.

Public Transportation Assistance Fund - This fund was established to help provide for the capital asset maintenance and other transportation needs of the Commonwealth's transit entities. Act 44 of 2007 revised the purpose of this fund by transferring programs to the new Public Transportation Trust Fund.

Land and Water Development Fund - to account for the proceeds of bonds issued for pollution remediation; grants to local governments for sewage treatment facilities; the development of public outdoor recreation areas; and acquisition and development of park and recreation lands and related studies to determine such needs. The fund is not displayed separately, as there was no activity in this fund as of June 30, 2021. There remain bonds authorized but not issued for the fund.

There are a total of six individual capital projects funds; all are reported as nonmajor funds.

Commonwealth of Pennsylvania
Combining Balance Sheet
Nonmajor Governmental Funds
Capital Projects Funds
June 30, 2021

(Amounts in thousands)

	Capital Facilities	Keystone Recreation, Park and Conservation	Growing Greener Bond	Water Supply and Wastewater Treatment	Public Transportation Assistance	Total
ASSETS						
Cash	\$ —	\$ —	\$ —	\$ —	\$ 8	\$ 8
Temporary investments	749,828	70,591	952	19,376	11,719	852,466
Long-term investments	—	171,679	—	—	—	171,679
Receivables (net):						
Taxes	—	—	—	—	37,004	37,004
Investment income	29	3	—	1	1	34
Due from other funds	2,861	11,263	—	—	11,998	26,122
Due from component units	6,550	—	—	—	—	6,550
TOTAL ASSETS	\$ 759,268	\$ 253,536	\$ 952	\$ 19,377	\$ 60,730	\$ 1,093,863
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 101,979	\$ 6,609	\$ 37	\$ —	\$ —	\$ 108,625
Securities lending obligations	—	3,084	—	—	—	3,084
Due to other funds	22,691	801	—	—	28	23,520
Due to pension trust funds	—	6	—	—	—	6
Due to political subdivisions	23,461	587	—	—	10,530	34,578
Due to other governments	—	2	—	—	—	2
TOTAL LIABILITIES	148,131	11,089	37	—	10,558	169,815
Fund balances:						
Committed	611,137	242,447	915	19,377	50,172	924,048
TOTAL FUND BALANCES	611,137	242,447	915	19,377	50,172	924,048
TOTAL LIABILITIES AND FUND BALANCES	\$ 759,268	\$ 253,536	\$ 952	\$ 19,377	\$ 60,730	\$ 1,093,863

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

For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Capital Facilities	Keystone Recreation, Park and Conservation	Growing Greener Bond	Water Supply and Wastewater Treatment	Public Transportation Assistance	Total
REVENUES:						
Taxes	\$ —	\$ 118,405	\$ —	\$ —	\$ 276,256	\$ 394,661
Charges for sales and services	7,655	—	—	—	—	7,655
Investment income	474	11,739	7	34	40	12,294
TOTAL REVENUES	8,129	130,144	7	34	276,296	414,610
EXPENDITURES:						
Current:						
Direction and supportive services	53,049	—	—	—	—	53,049
Protection of persons and property	5,600	—	1,158	—	—	6,758
Public education	—	13,771	1,716	—	—	15,487
Recreation and cultural enrichment	—	57,755	1,176	—	—	58,931
Economic development	98,514	—	134	2,764	—	101,412
Transportation	132,715	—	—	—	244,239	376,954
Capital outlay	305,532	22,147	12	—	—	327,691
Debt service:						
Interest and fiscal charges	6,250	—	—	—	—	6,250
TOTAL EXPENDITURES	601,660	93,673	4,196	2,764	244,239	946,532
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	(593,531)	36,471	(4,189)	(2,730)	32,057	(531,922)
OTHER FINANCING SOURCES (USES):						
Bonds issued	1,019,600	—	—	—	—	1,019,600
Refunding bonds issued	238	—	—	—	—	238
Premium on bonds issued	150,966	—	—	—	—	150,966
Discount on bonds issued	(1,831)	—	—	—	—	(1,831)
Transfers in	17,326	—	—	—	—	17,326
Transfers out	(60,546)	(5,925)	—	—	(23,169)	(89,640)
NET OTHER FINANCING SOURCES (USES)	1,125,753	(5,925)	—	—	(23,169)	1,096,659
NET CHANGE IN FUND BALANCES	532,222	30,546	(4,189)	(2,730)	8,888	564,737
FUND BALANCES, JULY 1, 2020	78,915	211,901	5,104	22,107	41,284	359,311
FUND BALANCES, JUNE 30, 2021	\$ 611,137	\$ 242,447	\$ 915	\$ 19,377	\$ 50,172	\$ 924,048



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Enterprise Funds

**ENTERPRISE FUNDS
DESCRIPTION
NONMAJOR FUNDS**

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. Costs of providing goods and services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

Volunteer Companies Loan Fund - to account for and provide low-interest loans for acquisition and replacement of volunteer fire, ambulance and rescue company equipment and facilities.

Coal and Clay Mine Subsidence Insurance Fund - to account for and provide insurance coverage to homeowners in mining areas against damages resulting from mine subsidence.

Pennsylvania Infrastructure Bank Fund (PIB) - to account for and provide low-interest loans to, or enter into leases with, qualified borrowers to finance the costs of transportation projects within Pennsylvania. Acts 165 and 7A of 2004 expanded this program to include financing of rail freight infrastructure. Eligible borrowers include local governments, transportation authorities, economic development agencies, not-for-profit organizations, and private corporations. The interest rate on PIB loans is fixed at one-half the prime lending rate with terms up to 10 years.

Rehabilitation Center Fund - to account for the activities of the Hiram G. Andrews Rehabilitation Center (Center) which offers rehabilitative, educational, vocational, life management, and counseling services, resulting in employment and independence for persons with disabilities. The Center is funded from fees for services rendered.

Philadelphia Regional Port Authority (PRPA) - The PRPA (a blended component unit) operates a port facility and manages port-related activities to promote commerce and economic development in southeastern Pennsylvania. The PRPA charges rental and other fees to port users and obtains funding from the Primary Government. The PRPA also issues revenue bonds to finance its activities.

Other - to account for enterprise operations including activities associated with low interest loans to manufacturers, financial and technical assistance to minority business enterprises, and loans and grants provided to attract industrial, manufacturing or research and development enterprises to the Commonwealth. This other category is an aggregation of five individual enterprise funds.

There are a total of 16 individual enterprise funds. The following funds are reported as Major Funds in the basic financial statements: **Unemployment Compensation Fund, State Workers' Insurance Fund, State Lottery Fund, State Stores Fund, Tuition Payment Fund** and the **Commonwealth Financing Authority** (a blended component unit).

-THIS PAGE INTENTIONALLY LEFT BLANK-

Commonwealth of Pennsylvania
Combining Statement of Net Position
Nonmajor Proprietary Funds
Enterprise Funds
June 30, 2021

(Amounts in thousands)	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
ASSETS							
Current assets:							
Cash	\$ 184	\$ 40	\$ 58	\$ 348	\$ 17,349	\$ 10	\$ 17,989
Cash with fiscal agents	—	—	—	1	—	—	1
Temporary investments	17,009	31,405	22,560	1,289	13,042	14,634	99,939
Receivables (net):							
Accounts	1	—	3	57	838	15	914
Investment income	1	1	1	—	—	—	3
Interest on loans	108	—	828	—	—	43	979
Loans	9,745	—	12,254	—	—	1,205	23,204
Lease rentals	—	—	—	—	12,831	—	12,831
Other	—	—	—	—	2	—	2
Due from other funds	—	—	—	4,746	22,690	18	27,454
Due from Federal Government	—	—	—	—	1,610	1	1,611
Due from other governments	—	—	—	—	115	—	115
Advances to other funds	—	—	3,264	—	—	—	3,264
Inventory	—	—	—	—	—	4	4
Prepaid expenses	—	—	—	—	1,021	—	1,021
Total current assets	27,048	31,446	38,968	6,441	69,498	15,930	189,331
Noncurrent assets:							
Restricted cash	—	—	—	—	317	—	317
Long-term investments	42,452	142,754	25,954	—	—	—	211,160
Receivables:							
Loans	62,799	—	79,624	—	—	5,066	147,489
Lease rentals	—	—	—	—	128,812	—	128,812
Non-depreciable capital assets:							
Land	—	—	—	—	237,012	—	237,012
Construction in progress	—	—	—	—	78,369	—	78,369
Depreciable or amortizable capital assets:							
Land improvements	—	—	—	—	138,660	—	138,660
Buildings and building improvements	—	—	—	34,135	478,329	—	512,464
Machinery and equipment	—	237	—	3,801	70,812	1,847	76,697
Intangible right-to-use leases	—	—	—	—	243	—	243
Less: accumulated depreciation and amortization	—	(129)	—	(29,780)	(306,921)	(1,804)	(338,634)
Net depreciable or amortizable capital assets	—	108	—	8,156	381,123	43	389,430
Other assets	—	—	—	—	4,481	—	4,481
Total noncurrent assets	105,251	142,862	105,578	8,156	830,114	5,109	1,197,070
TOTAL ASSETS	\$ 132,299	\$ 174,308	\$ 144,546	\$ 14,597	\$ 899,612	\$ 21,039	\$ 1,386,401

Commonwealth of Pennsylvania
Combining Statement of Net Position
Nonmajor Proprietary Funds
Enterprise Funds
June 30, 2021

(Amounts in thousands)	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
DEFERRED OUTFLOWS OF RESOURCES							
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ —	\$ 1,919	\$ —	\$ 8,545	\$ 5,323	\$ 512	\$ 16,299
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	334	191	—	1,206	17,078	130	18,939
Securities lending obligations	762	2,564	466	—	—	—	3,792
Due to other funds	—	18	—	97	14	2,062	2,191
Due to pension trust funds	—	14	—	88	41	3	146
Due to other governments	—	3	—	80	309	—	392
Unearned revenue	37	2,915	—	—	—	—	2,952
Self-insurance liabilities	—	9	—	62	65	2	138
Compensated absences	—	82	—	232	163	—	477
Other postemployment benefit liability	—	—	—	—	222	—	222
Lease liability	—	—	—	—	62	—	62
Other liabilities	—	—	—	—	21	—	21
Total current liabilities	1,133	5,796	466	1,765	17,975	2,197	29,332
Noncurrent liabilities:							
Insurance loss liability	—	617	—	—	—	—	617
Compensated absences	—	398	—	1,134	793	—	2,325
Self-insurance liabilities	—	84	—	581	610	17	1,292
Other postemployment benefit liability	—	3,050	—	21,239	7,802	306	32,397
Net pension liability	—	3,728	—	22,395	10,466	465	37,054
Lease liability	—	—	—	—	75	—	75
Other liabilities	—	—	—	—	317	—	317
Total noncurrent liabilities	—	7,877	—	45,349	20,063	788	74,077
TOTAL LIABILITIES	1,133	13,673	466	47,114	38,038	2,985	103,409
DEFERRED INFLOWS OF RESOURCES							
TOTAL DEFERRED INFLOWS OF RESOURCES	—	3,583	—	22,191	149,498	3,318	178,590
NET POSITION							
Net investment in capital assets	—	108	—	8,156	696,367	43	704,674
Restricted for:							
Transportation	—	—	144,080	—	—	—	144,080
Capital projects	—	—	—	—	1	—	1
Economic development	—	—	—	—	21,031	6,453	27,484
Emergency support	131,166	—	—	—	—	—	131,166
Other purposes	—	158,863	—	—	—	8,752	167,615
Unrestricted	—	—	—	(54,319)	—	—	(54,319)
TOTAL NET POSITION	\$ 131,166	\$ 158,971	\$ 144,080	\$ (46,163)	\$ 717,399	\$ 15,248	\$ 1,120,701

Commonwealth of Pennsylvania
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Proprietary Funds
Enterprise Funds
For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
OPERATING REVENUES:							
Sales and services	\$ —	\$ 4,221	\$ —	\$ 20,553	\$ 13,422	\$ 473	\$ 38,669
Interest on loans	1,439	—	1,676	—	—	152	3,267
Other	—	—	—	—	326	1,240	1,566
OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS							
	1,439	4,221	1,676	20,553	13,748	1,865	43,502
Provision for uncollectible accounts	38	—	500	—	—	69	607
NET OPERATING REVENUES	1,477	4,221	2,176	20,553	13,748	1,934	44,109
OPERATING EXPENSES:							
Cost of sales and services	—	4,907	2	16,623	12,319	1,163	35,014
Depreciation	—	17	—	453	29,845	9	30,324
Other	—	—	—	—	3,995	—	3,995
TOTAL OPERATING EXPENSES	—	4,924	2	17,076	46,159	1,172	69,333
OPERATING INCOME (LOSS)	1,477	(703)	2,174	3,477	(32,411)	762	(25,224)
NONOPERATING REVENUES (EXPENSES):							
Investment income	2,910	9,736	2,249	4	21	25	14,945
Interest expense	—	—	—	—	(7)	—	(7)
Grants and other revenues	—	—	—	1,651	6,341	—	7,992
Other expenses	—	—	—	—	(4,822)	—	(4,822)
TOTAL NONOPERATING REVENUES (EXPENSES)	2,910	9,736	2,249	1,655	1,533	25	18,108
INCOME (LOSS) BEFORE TRANSFERS	4,387	9,033	4,423	5,132	(30,878)	787	(7,116)
TRANSFERS AND CONTRIBUTIONS:							
Capital contributions	—	—	—	—	5,539	—	5,539
Transfers in	—	—	—	—	46,475	3	46,478
Transfers out	(6,250)	—	(5,000)	—	—	(2,000)	(13,250)
TRANSFERS AND CONTRIBUTIONS, NET	(6,250)	—	(5,000)	—	52,014	(1,997)	38,767
CHANGE IN NET POSITION	(1,863)	9,033	(577)	5,132	21,136	(1,210)	31,651
TOTAL NET POSITION, JULY 1, 2020 (restated)	133,029	149,938	144,657	(51,295)	696,263	16,458	1,089,050
TOTAL NET POSITION, JUNE 30, 2021	\$ 131,166	\$ 158,971	\$ 144,080	\$ (46,163)	\$ 717,399	\$ 15,248	\$ 1,120,701

-THIS PAGE INTENTIONALLY LEFT BLANK-

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

For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from customers and participants	\$ —	\$ —	\$ —	\$ 20,576	\$ 13,545	\$ 465	\$ 34,586
Receipts from borrowers for fees and loan repayments	11,647	—	15,546	—	—	910	28,103
Receipt of premiums	—	6,709	—	—	—	—	6,709
Payments to borrowers	(7,056)	—	(32,572)	—	—	(706)	(40,334)
Payments for vendors, employees and other costs	—	(4,748)	(2)	(23,531)	(11,957)	(1,890)	(42,128)
Other receipts	—	—	—	—	—	1,240	1,240
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	4,591	1,961	(17,028)	(2,955)	1,588	19	(11,824)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:							
Net advances from (to) other funds	6,000	—	22,058	—	—	—	28,058
Transfers in	—	—	—	—	190	3	193
Transfers out	(6,250)	—	(5,000)	—	—	(2,000)	(13,250)
Grants and other revenues	—	—	—	1,736	67	(1)	1,802
Bond issuance costs	—	—	—	—	(1,090)	—	(1,090)
Right-to-use lease interest	—	—	—	—	3,137	—	3,137
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(250)	—	17,058	1,736	2,304	(1,998)	18,850
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	—	(57)	—	(119)	(56,202)	—	(56,378)
Lease/installment purchase payments	—	—	—	—	(60)	—	(60)
Principal payments on other capital debt	—	—	—	—	(4,495)	—	(4,495)
Interest payments on other capital debt	—	—	—	—	(119)	—	(119)
Transfers in	—	—	—	—	32,674	—	32,674
Reimbursement of expenses from other funds	—	—	—	—	366	—	366
Capital contributions	—	—	—	—	5,539	—	5,539
Maintenance payments	—	—	—	—	(419)	—	(419)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	—	(57)	—	(119)	(22,716)	—	(22,892)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchase of investments	(17,639)	(8,889)	(39,891)	(17,352)	(7,203)	(1,796)	(92,770)
Sales and maturities of investments	12,213	3,763	35,519	18,945	7,065	3,754	81,259
Investment income	945	3,123	4,304	5	21	30	8,428
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(4,481)	(2,003)	(68)	1,598	(117)	1,988	(3,083)
NET INCREASE (DECREASE) IN CASH	(140)	(99)	(38)	260	(18,941)	9	(18,949)
CASH AT JULY 1, 2020	324	139	96	89	36,607	1	37,256
CASH AT JUNE 30, 2021 (including \$317 in restricted assets)	\$ 184	\$ 40	\$ 58	\$ 349	\$ 17,666	\$ 10	\$ 18,307

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

For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET							
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES							
Operating income (loss)	\$ 1,477	\$ (703)	\$ 2,174	\$ 3,477	\$ (32,411)	\$ 762	(25,224)
Depreciation and amortization of capital assets	—	17	—	453	29,845	9	30,324
Amortization of other assets	—	—	—	—	3,995	—	3,995
Provision for uncollectible accounts	(38)	—	(500)	—	—	(69)	(607)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:							
Accounts receivable	(1)	—	(3)	23	—	(2)	17
Interest on loans receivable	10	—	(285)	—	—	(17)	(292)
Loans receivable	2,819	—	(18,403)	—	—	64	(15,520)
Lease rental receivable	—	—	—	—	(219)	—	(219)
Due from other funds	—	—	—	(3,293)	—	(1)	(3,294)
Due from other governments	—	—	—	—	(59)	—	(59)
Other current and noncurrent assets	—	—	—	—	444	—	444
Deferred outflows	—	(491)	—	(4,406)	(1,613)	261	(6,249)
Accounts payable and accrued liabilities	334	10	(2)	(266)	1,000	(241)	835
Due to other funds	—	(23)	—	(60)	—	1,284	1,201
Due to pension trust funds	—	2	—	15	—	1	18
Due to political subdivisions	—	—	—	(21)	—	—	(21)
Due to other governments	—	—	—	63	—	(1)	62
Unearned revenue	(10)	2,488	(9)	—	—	—	2,469
Self-insurance liabilities	—	4	—	124	317	8	453
Compensated absences	—	(33)	—	155	65	—	187
Insurance loss liability	—	312	—	—	—	—	312
Other postemployment benefit liability	—	241	—	823	1,549	(1,954)	659
Net pension liability	—	556	—	1,843	6	(1,233)	1,172
Other current and noncurrent liabilities	—	—	—	—	16	—	16
Deferred inflows	—	(419)	—	(1,885)	(1,347)	1,148	(2,503)
Total Adjustments	3,114	2,664	(19,202)	(6,432)	33,999	(743)	13,400
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 4,591	\$ 1,961	\$ (17,028)	\$ (2,955)	\$ 1,588	\$ 19	\$ (11,824)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:							
Increase (decrease) in fair value of investments during the fiscal year	\$ 1,969	\$ 6,622	\$ (2,054)	\$ —	\$ —	\$ —	6,537
Decrease in investment income receivable	(3)	(9)	—	(1)	—	(5)	(18)
Increase (decrease) in investments from changes in securities lending obligations	152	512	(108)	—	—	—	556
Disposals of capital assets	—	—	—	—	(2,675)	—	(2,675)
Amortization of bond premium/discount (net)	—	—	—	—	(44)	—	(44)
Transfers from other funds (accruals)	—	—	—	—	8,659	—	8,659

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

-THIS PAGE INTENTIONALLY LEFT BLANK-



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Internal Service Funds

INTERNAL SERVICE FUNDS DESCRIPTION

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

Purchasing Fund - to account for the purchase of materials, supplies, services and equipment by the Department of General Services for the sale or lease to other Commonwealth departments, boards and commissions. This fund is also used to account for all Commonwealth telecommunication activities, which are accounted for by the Governor's Executive Offices. Revenue is derived from reimbursements from Commonwealth departments, boards and commissions that use Fund services or products.

Manufacturing Fund - to account for the manufacture and sale of goods and services by inmates in the correctional institutions to the Department of Corrections, other government agencies, and government-aided organizations.

There are a total of two individual internal service funds.

Commonwealth of Pennsylvania
Combining Statement of Net Position
Nonmajor Proprietary Funds
Internal Service Funds
June 30, 2021

(Amounts in thousands)

	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 1,072	\$ 601	\$ 1,673
Temporary investments	12,258	21,023	33,281
Receivables (net):			
Accounts	380	358	738
Investment income	—	1	1
Due from other funds	31,189	3,017	34,206
Due from pension trust funds	803	6,313	7,116
Due from component units	52	—	52
Due from political subdivisions	—	18	18
Due from other governments	—	2	2
Inventory	47	15,101	15,148
Total current assets	45,801	46,434	92,235
Noncurrent assets:			
Long-term investments	—	20,382	20,382
Depreciable capital assets:			
Land improvements	192	—	192
Buildings and building improvements	153	6,273	6,426
Machinery and equipment	106,170	43,084	149,254
Intangible right-to-use leases	311,611	—	311,611
Less: accumulated depreciation	(96,907)	(29,796)	(126,703)
Net depreciable capital assets	321,219	19,561	340,780
Total noncurrent assets	321,219	39,943	361,162
TOTAL ASSETS	367,020	86,377	453,397
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,329	12,570	21,899
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	43,624	6,620	50,244
Securities lending obligations	—	366	366
Due to other funds	4,296	492	4,788
Due to pension trust funds	113	239	352
Due to component units	2	—	2
Due to political subdivisions	5	4	9
Due to other governments	25	48	73
Self-insurance liabilities	124	301	425
Compensated absences	171	386	557
Installment purchase liability	490	—	490
Lease liability	7,649	—	7,649
Total current liabilities	56,499	8,456	64,955
Noncurrent liabilities:			
Compensated absences	834	1,884	2,718
Self-insurance liabilities	1,161	2,818	3,979
Other postemployment benefit liability	20,181	25,365	45,546
Net pension liability	18,923	37,534	56,457
Installment purchase liability	301	—	301
Lease liability	296,731	—	296,731
Total noncurrent liabilities	338,131	67,601	405,732
TOTAL LIABILITIES	394,630	76,057	470,687
TOTAL DEFERRED INFLOWS OF RESOURCES	14,136	21,324	35,460
NET POSITION			
Net investment in capital assets	16,048	19,561	35,609
Restricted for:			
Unrestricted	(48,465)	(17,995)	(66,460)
TOTAL NET POSITION	\$ (32,417)	\$ 1,566	\$ (30,851)

Commonwealth of Pennsylvania
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Proprietary Funds
Internal Service Funds

For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)	Purchasing	Manufacturing	Total
OPERATING REVENUES:			
Sales and services	\$ 36,793	\$ 87,734	\$ 124,527
NET OPERATING REVENUES	36,793	87,734	124,527
OPERATING EXPENSES:			
Cost of sales and services	10,108	81,923	92,031
Depreciation	26,626	2,319	28,945
TOTAL OPERATING EXPENSES	36,734	84,242	120,976
OPERATING INCOME	59	3,492	3,551
NONOPERATING REVENUES (EXPENSES):			
Investment income	8	1,683	1,691
Interest expense	(5,412)	—	(5,412)
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(5,404)	1,683	(3,721)
CHANGE IN NET POSITION	(5,345)	5,175	(170)
TOTAL NET POSITION, JULY 1, 2020	(27,072)	(3,609)	(30,681)
TOTAL NET POSITION, JUNE 30, 2021	\$ (32,417)	\$ 1,566	\$ (30,851)

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

For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Purchasing	Manufacturing	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 36,625	\$ 80,701	\$ 117,326
Payments for vendors, employees and other costs	(10,822)	(78,721)	(89,543)
Other receipts	202	—	202
NET CASH PROVIDED BY OPERATING ACTIVITIES	26,005	1,980	27,985
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Grants and other revenues	—	2	2
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	—	2	2
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(9,352)	(1,897)	(11,249)
Proceeds from disposal of capital assets	2,768	—	2,768
Lease/installment purchase payments	(13,301)	—	(13,301)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(19,885)	(1,897)	(21,782)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(179,264)	(79,163)	(258,427)
Sales and maturities of investments	172,647	76,685	249,332
Investment income	10	2,421	2,431
NET CASH USED FOR INVESTING ACTIVITIES	(6,607)	(57)	(6,664)
NET INCREASE IN CASH	(487)	28	(459)
CASH AT JULY 1, 2020	1,559	573	2,132
CASH AT JUNE 30, 2021	\$ 1,072	\$ 601	\$ 1,673
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating Income	\$ 59	\$ 3,492	\$ 3,551
Depreciation and amortization of capital assets	26,626	2,319	28,945
Other adjustments	(2,768)	—	(2,768)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:			
Accounts receivable	(363)	88	(275)
Due from other funds	(4,180)	1,406	(2,774)
Due from pension trust funds	(751)	(2,056)	(2,807)
Due from component units	42	1	43
Due from political subdivisions	—	606	606
Due from other governments	—	5	5
Inventory	(3)	(1,182)	(1,185)
Deferred outflows	(4,271)	(5,901)	(10,172)
Accounts payable and accrued liabilities	9,635	1,557	11,192
Due to other funds	(426)	111	(315)
Due to pension trust funds	10	31	41
Due to political subdivisions	2	—	2
Due to other governments	2	5	7
Self insurance liabilities	260	(139)	121
Compensated absences	50	169	219
Other postemployment benefit liability	3,584	3,306	6,890
Net pension liability	747	548	1,295
Deferred inflows	(2,250)	(2,386)	(4,636)
Total Adjustments	25,946	(1,512)	24,434
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 26,005	\$ 1,980	\$ 27,985
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Decrease in fair value of investments during the fiscal year	\$ —	\$ (734)	\$ (734)
Decrease in investment income receivable	(2)	(4)	(6)
Decrease in investments from changes in securities lending obligations	—	(31)	(31)
Disposals of capital assets	775	—	775

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

-THIS PAGE INTENTIONALLY LEFT BLANK-



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Pension (and Other Employee Benefit) Trust Funds

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS DESCRIPTION

Pension (and other employee benefit) trust funds account for assets that are required to be held in trust for the members and beneficiaries of defined benefit pension plans and other postemployment benefit plans and are held by the Commonwealth in a trustee capacity.

PENSION TRUST FUNDS

State Employees' Retirement System (SERS) - Pension - a defined benefit pension trust fund administered by the SERS that provides retirement, disability, and death benefits to members of the SERS and their beneficiaries.

State Employees' Retirement System - Defined Contribution - a defined contribution pension trust fund established by Act 5 of 2017 and administered by the SERS to provide defined contribution retirement benefits to new members of the SERS effective January 1, 2019.

Deferred Compensation Fund - a pension trust fund administered by the SERS that collects and administers amounts contributed by Commonwealth employees who defer a portion of their income until future years, in accordance with Internal Revenue Code Section 457.

Public School Employees' Retirement System (PSERS) - Pension - a defined benefit pension trust fund administered by the PSERS that provides pension benefits to public school employees in Pennsylvania.

Public School Employees' Retirement System - Defined Contribution - a defined contribution pension trust fund established by Act 5 of 2017 and administered by the PSERS to provide defined contribution retirement benefits to new public school employees effective July 1, 2019.

OTHER EMPLOYEE BENEFIT TRUST FUNDS

Public School Employees' Retirement System - Postemployment Healthcare - an employee benefit trust fund administered by the PSERS that provides healthcare, disability, and death benefits to members and their beneficiaries.

Other Postemployment Benefits (REHP) - an employee benefit trust fund that holds and invests amounts contributed by the Commonwealth of Pennsylvania for the sole purpose of providing postemployment healthcare benefits to retired employees.

Other Postemployment Benefits (RPSPP) - an employee benefit trust fund that holds and invests amounts contributed by the Commonwealth of Pennsylvania for the sole purpose of providing postemployment healthcare benefits to retired Pennsylvania State Police.

-THIS PAGE INTENTIONALLY LEFT BLANK-

Commonwealth of Pennsylvania
Combining Statement of Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds
June 30, 2021

(Amount in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2020)			Public School Employees' Retirement System			Other Postemployment Benefits		
	Pension	Defined	Deferred	Pension	Defined	Postemployment	Retired	Retired	Total
		Contribution	Compensation		Contribution	Healthcare	Employees Health Program	Pennsylvania State Police Program	
ASSETS									
Cash	\$ —	\$ —	\$ —	\$ 451,958	\$ —	\$ 270,382	\$ —	\$ —	\$ 722,340
Temporary investments	—	5,493	3,374	—	—	—	119,979	25,550	154,396
Long-term investments	—	41	166,872	—	—	—	690,875	147,123	1,004,911
Short-term funds	1,838,939	939	81,132	8,548,498	7,338	201,524	—	—	10,678,370
Corporate obligations	2,115,632	—	—	783,904	—	—	—	—	2,899,536
Collective trust funds	5,555,758	34,739	4,127,885	11,518,461	55,307	—	—	—	21,292,150
Real estate	2,585,656	—	—	5,986,463	—	—	—	—	8,572,119
Alternative	6,645,903	—	—	17,626,135	—	—	—	—	24,272,038
Securities lending collateral	158,109	—	—	7,862,287	—	—	—	—	8,020,396
Asset-backed securities	1,895,050	—	—	3,702,490	—	—	—	—	5,597,540
Domestic equities	9,408,923	—	—	9,350,519	—	—	—	—	18,759,442
International equities	632,022	—	—	7,239,623	—	—	—	—	7,871,645
International public debt securities	339,579	—	—	264,200	—	—	—	—	603,779
Mortgage-backed securities	—	—	—	270,659	—	—	—	—	270,659
Private placements	631,220	—	—	—	—	—	—	—	631,220
U.S. Treasury obligations	4,460,194	—	—	5,883,323	—	—	—	—	10,343,517
U.S. government agency debt securities	102,230	—	—	—	—	—	—	—	102,230
Receivables (net):									
Investment income	69,994	1	551	459,975	1	57	642	137	531,358
Pension contributions	—	239	1,042	1,690,158	666	34,940	—	—	1,727,045
Investment sale proceeds	331,395	—	—	274,186	2	—	—	—	605,583
Other	—	29	61	1,677	—	43,248	—	—	45,015
Due from other funds	17,803	—	—	7,315	—	184	—	—	25,302
Due from pension trust funds	—	—	—	659	—	—	—	—	659
Due from component units	14,240	—	—	—	—	—	—	—	14,240
Due from political subdivisions	13,630	—	—	—	—	—	—	—	13,630
Due from other governments	—	—	—	—	—	33,346	—	—	33,346
Depreciable or amortizable capital assets:									
Machinery and equipment	—	—	—	13,093	—	—	—	—	13,093
Other intangible assets	—	—	—	44,003	—	—	—	—	44,003
Less: accumulated depreciation and amortization	—	—	—	(40,075)	—	—	—	—	(40,075)
Net depreciable or amortizable capital assets	—	—	—	17,021	—	—	—	—	17,021
TOTAL ASSETS	36,816,277	41,481	4,380,917	81,939,511	63,314	583,681	811,496	172,810	124,809,487
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 5,932	\$ 2,199	\$ —	\$ 36,219	\$ —	\$ —	\$ —	\$ —	\$ 44,350

Commonwealth of Pennsylvania
Combining Statement of Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds
June 30, 2021

(Amount in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2020)			Public School Employees' Retirement System			Other Postemployment Benefits		Total
	Pension	Defined Contribution	Deferred Compensation	Pension	Defined Contribution	Postemployment Healthcare	Retired	Retired	
							Employees Health Program	Pennsylvania State Police Program	
LIABILITIES									
Accounts payable and accrued liabilities	\$ 69,224	\$ 665	\$ 1,308	\$ 185,780	\$ 75	\$ 15,095	\$ 24,588	\$ 8,356	\$ 305,091
Investment purchases payable	1,523,165	70	2,863	1,214,614	418	—	—	—	2,741,130
Securities lending obligations	158,109	—	—	7,862,287	—	—	119,979	25,550	8,165,925
Due to other funds	—	—	10	862	—	—	—	—	872
Due to pension trust funds	—	—	39	1,546	545	—	—	—	2,130
Other postemployment benefit liability	27,715	1,575	—	50,882	—	—	—	—	80,172
Net pension liability	—	—	—	77,477	—	—	—	—	77,477
Other liabilities	—	—	—	576,347	—	65,395	—	—	641,742
TOTAL LIABILITIES	1,778,213	2,310	4,220	9,969,795	1,038	80,490	144,567	33,906	12,014,539
TOTAL DEFERRED INFLOWS OF RESOURCES	16,266	878	—	38,583	—	—	—	—	55,727
NET POSITION									
Restricted and held in trust for:									
Pension benefits	35,027,730	40,492	—	71,967,352	62,276	—	—	—	107,097,850
Postemployment healthcare benefits	—	—	—	—	—	503,191	666,929	138,904	1,309,024
Employee salary deferrals	—	—	4,376,697	—	—	—	—	—	4,376,697
TOTAL NET POSITION	\$ 35,027,730	\$ 40,492	\$ 4,376,697	\$ 71,967,352	\$ 62,276	\$ 503,191	\$ 666,929	\$ 138,904	\$ 112,783,571

Commonwealth of Pennsylvania
Combining Statement of Changes in Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds
For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2020)			Public School Employees' Retirement System			Other Postemployment Benefits		Total
	Pension	Defined	Deferred	Pension	Defined	Postemployment	Retired Employees Health Program	Retired Pennsylvania State Police Program	
		Contribution	Compensation		Contribution	Healthcare			
ADDITIONS:									
Contributions:									
Pension:									
Employer	\$ 3,186,445	\$ 7,733	\$ —	\$ 4,759,189	\$ 14,946	\$ 184,331	\$ 401,878	\$ 156,204	\$ 8,710,726
Employee	409,637	14,799	158,325	1,080,701	19,282	402,945	—	—	2,085,689
Transfer in from other plans	—	4,556	59,484	—	—	—	50,000	1,000	115,040
Total contributions	3,596,082	27,088	217,809	5,839,890	34,228	587,276	451,878	157,204	10,911,455
Investment income:									
Net increase/(decrease) in									
fair value of investments	3,659,500	4,956	509,754	13,940,110	9,394	(417)	145,115	32,110	18,300,522
Interest income	199,398	27	10,601	574,529	17	964	10	2	785,548
Dividend income	162,817	—	—	272,651	—	—	13,442	2,974	451,884
Rental and other income	50,569	—	—	565,392	—	—	168	38	616,167
Total investment activity income	4,072,284	4,983	520,355	15,352,682	9,411	547	158,735	35,124	20,154,121
Less: investment expenses									
Investment activity expense	(155,361)	(12)	(1,266)	(617,882)	(97)	(73)	—	—	(774,691)
Net investment earnings	3,916,923	4,971	519,089	14,734,800	9,314	474	158,735	35,124	19,379,430
Securities lending activities:									
Income	2,617	—	—	27,450	—	—	—	—	30,067
Expenses	(261)	—	—	(7,626)	—	—	—	—	(7,887)
Total securities lending income	2,356	—	—	19,824	—	—	—	—	22,180
Total net investment income	3,919,279	4,971	519,089	14,754,624	9,314	474	158,735	35,124	19,401,610
TOTAL ADDITIONS	7,515,361	32,059	736,898	20,594,514	43,542	587,750	610,613	192,328	30,313,065
DEDUCTIONS:									
Benefit payments	3,538,634	—	126,299	7,107,407	—	496,004	405,995	159,102	11,833,441
Refunds of contributions	18,094	—	—	26,925	1,040	—	—	—	46,059
Transfers to other plans	—	103	124,251	—	—	—	—	—	124,354
Administrative expenses	27,222	3,660	198	49,616	1,587	40,194	6,742	867	130,086
Other expenses	—	—	4,740	—	—	—	—	—	4,740
Distributions to participants	—	201	—	—	—	—	—	—	201
TOTAL DEDUCTIONS	3,583,950	3,964	255,488	7,183,948	2,627	536,198	412,737	159,969	12,138,881
CHANGE IN PLAN NET POSITION HELD IN TRUST FOR:									
Pension benefits	3,931,411	28,095	—	13,410,566	40,915	—	—	—	17,410,987
Postemployment healthcare benefits	—	—	—	—	—	51,552	197,876	32,359	281,787
Employee salary deferrals	—	—	481,410	—	—	—	—	—	481,410
TOTAL CHANGE IN PLAN NET POSITION HELD IN TRUST	3,931,411	28,095	481,410	13,410,566	40,915	51,552	197,876	32,359	18,174,184
NET POSITION, JULY 1, 2020	31,096,319	12,397	3,895,287	58,556,786	21,361	451,639	469,053	106,545	94,609,387
NET POSITION, JUNE 30, 2021	\$ 35,027,730	\$ 40,492	\$ 4,376,697	\$ 71,967,352	\$ 62,276	\$ 503,191	\$ 666,929	\$ 138,904	\$ 112,783,571



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Custodial Funds

CUSTODIAL FUNDS DESCRIPTION

Custodial funds account for assets held by the Commonwealth as an agent for individuals, private organizations, or other governmental units.

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

Local Sales and Use Tax Fund - to collect an additional sales tax remitted by business entities of first class cities in Pennsylvania to the Department of Revenue, as established per Act 6 of 1991. On a monthly basis, the Treasury Department distributes the fund balance to qualified city taxing authorities in accordance with the requirements of the Act.

PA Intergovernmental Cooperation Authority Tax - to collect an income tax imposed on residents of first class cities in Pennsylvania, as established per Act 6 of 1991. On a weekly basis, the Treasury Department distributes the fund balance to the PA Intergovernmental Cooperation Authority.

Tuition Account Investment Program - provides for the advanced purchase of tuition credits for beneficiaries who will attend institutions of higher learning. Contributors enter into a Tuition Account Program Investment contract that authorizes the Treasury to invest funds to pay for future tuition expenses.

Allegheny Regional Asset District Sales and Use Tax Fund - to collect an additional sales tax remitted by Allegheny County business entities to the Department of Revenue, as established per Act 1993-77. On a monthly basis, the Treasury Department distributes the fund balance to qualified County entities in accordance with the requirements of the Act.

Local Cigarette Tax Fund - to collect a local cigarette tax imposed by school districts within the first class cities of Pennsylvania at a rate of \$0.10 per cigarette as authorized by Act 131 of 2014. On a monthly basis, the Treasury Department distributes the fund balance to the school districts in accordance with the requirements of the Act.

Monetary Penalty Endowments Trust - accounts for monetary penalties assessed to higher education institutions. Fund expenditures are made by the Pennsylvania Commission on Crime and Delinquency to support abuse treatment and prevention programs within the Commonwealth.

Custodial Accounts - to account for the assets of patients, residents, inmates and other non-Commonwealth funds for which the Commonwealth is the account custodian.

There are a total of eight individual custodial funds.

Commonwealth of Pennsylvania
Combining Statement of Fiduciary Net Position
Custodial Funds

June 30, 2021

(Amounts in thousands)

	Statutory Liquidator	Local Sales and Use Tax	PA Intergovernmental Cooperation Authority Tax	Tuition Account Investment Program	Allegheny Regional Asset District Sales and Use Tax	Local Cigarette Tax	Monetary Penalty Endowment	Custodial Accounts	Total Custodial Funds
ASSETS									
Cash	\$ —	\$ 261	\$ 1,199	\$ 5,846	\$ 184	\$ —	\$ —	\$ 15,168	\$ 22,658
Cash with fiscal agents	11,541	—	—	—	—	—	—	—	11,541
Temporary investments	187,041	31,456	5,885	—	19,659	2,799	5,236	44,464	296,540
Long-term investments	423,682	—	—	4,388,336	—	—	48,477	—	4,860,495
Receivables (net):									
Taxes	—	33,286	—	—	20,286	28,253	—	—	81,825
Accounts	513,005	352	—	459	—	—	—	5,029	518,845
Investment income	2,725	1	—	—	—	—	—	—	2,726
Investment sale proceeds	630	—	—	—	—	—	—	—	630
Other assets	377,160	—	—	—	—	—	—	830	377,990
TOTAL ASSETS	1,515,784	65,356	7,084	4,394,641	40,129	31,052	53,713	65,491	6,173,250
LIABILITIES									
Accounts payable and accrued liabilities	4,108	467	—	2,291	625	43	36	33,745	41,315
Investment purchases payable	—	—	—	1,885	—	—	—	—	1,885
Securities lending obligations	—	—	—	—	—	—	871	—	871
Due to political subdivisions	—	64,889	7,084	—	39,504	31,009	—	—	142,486
Other liabilities	20,287	—	—	—	—	—	—	—	20,287
TOTAL LIABILITIES	24,395	65,356	7,084	4,176	40,129	31,052	907	33,745	206,844
NET POSITION									
Restricted for:									
Tuition Account Investment Program participants	—	—	—	4,390,465	—	—	—	—	4,390,465
Beneficiaries	1,491,389	—	—	—	—	—	52,806	31,746	1,575,941
TOTAL NET POSITION	\$ 1,491,389	\$ —	\$ —	\$ 4,390,465	\$ —	\$ —	\$ 52,806	\$ 31,746	\$ 5,966,406

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

For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Statutory Liquidator	Local Sales and Use Tax	PA Intergovernmental Cooperation Authority Tax	Tuition Account Investment Program	Allegheny Regional Asset District Sales and Use Tax	Local Cigarette Tax	Monetary Penalty Endowment	Custodial Accounts	Total Custodial Funds
ADDITIONS:									
Investment earnings:									
Net increase in fair value of investments	\$ 9,101	\$ —	\$ —	\$ 551,519	\$ —	\$ —	\$ —	\$ —	\$ 560,620
Interest income	201,164	25	18	197,846	16	10	3,618	192	402,889
Total investment activity income	210,265	25	18	749,365	16	10	3,618	192	963,509
Less investment expenses:									
Investment activity expense	(985)	—	—	—	—	—	—	(20)	(1,005)
Net investment earnings	209,280	25	18	749,365	16	10	3,618	172	962,504
Total net investment income	209,280	25	18	749,365	16	10	3,618	172	962,504
Share transactions (net asset value of \$1.00 per share):									
Shares purchased/redeemed (net)	—	—	—	251,071	—	—	—	—	251,071
Net increase in net position from share transactions	—	—	—	251,071	—	—	—	—	251,071
Tax collections for other governments	—	331,924	531,748	—	203,820	57,986	—	—	1,125,478
Member resources	—	—	—	—	—	—	—	144,937	144,937
Other additions	563,705	—	—	—	—	—	—	8,560	572,265
TOTAL ADDITIONS	772,985	331,949	531,766	1,000,436	203,836	57,996	3,618	153,669	3,056,255
DEDUCTIONS:									
Administrative expenses	26,396	—	—	7,439	—	—	—	3,516	37,351
Payments of taxes to other governments	—	331,949	531,766	—	203,836	57,996	—	—	1,125,547
Member/claimant distributions	140,681	—	—	—	—	—	—	143,197	283,878
Other expenses	25,669	—	—	—	—	—	1,675	5,423	32,767
TOTAL DEDUCTIONS	192,746	331,949	531,766	7,439	203,836	57,996	1,675	152,136	1,479,543
CHANGE IN FIDUCIARY NET POSITION:									
Tuition Account Investment Program participants	—	—	—	992,997	—	—	—	—	992,997
Beneficiaries	580,239	—	—	—	—	—	1,943	1,533	583,715
TOTAL CHANGE IN FIDUCIARY NET POSITION	580,239	—	—	992,997	—	—	1,943	1,533	1,576,712
NET POSITION, JULY 1, 2020	911,150	—	—	3,397,468	—	—	50,863	30,213	4,389,694
NET POSITION, JUNE 30, 2021	\$ 1,491,389	\$ —	\$ —	\$ 4,390,465	\$ —	\$ —	\$ 52,806	\$ 31,746	\$ 5,966,406



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Discretely Presented Component Units

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS DESCRIPTION

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable, or other organizations for which the nature and significance of the relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

State Public School Building Authority - issues limited obligation revenue bonds, the proceeds of which are used to finance the construction of facilities for school districts. These bonds are repaid solely from lease/loan payments from the schools.

Philadelphia Shipyard Development Corporation - assists the primary government (PG) and other governmental entities in financing a shipbuilding facility at the former Philadelphia Naval Shipyard. The Philadelphia Shipyard Development Corporation has a December 31, 2020 fiscal year-end.

Ben Franklin Technology Development Authority - promotes economic development through interaction of technology development, modernization and training programs. Industrial resource centers and technology centers, established through the Ben Franklin Technology Development Authority increase Pennsylvania business competitiveness.

Port of Pittsburgh Commission - promotes economic development throughout waterways in southwestern Pennsylvania by constructing and/or financing transportation and recreation facilities.

Pennsylvania Industrial Development Authority - collaborates with local industrial development corporations to make loans that help preserve or expand the work force, assist targeted economic areas, or assist specific companies.

Pennsylvania Convention Center Authority - operates the Pennsylvania Convention Center located in the City of Philadelphia.

Thaddeus Stevens College of Technology (College) - is a premier, residential, two-year, accredited technical college that prepares students for skilled employment in a diverse, ever-changing workforce. The College offers a two-year degree or nine-month certificate, in 24 different programs of study. The Commonwealth appropriates monies for College operations.

Pennsylvania Energy Development Authority (PEDA) - finances clean, advanced energy projects in Pennsylvania. Pennsylvania projects that could potentially qualify for funding from the PEDA include solar energy, wind, low-impact hydropower, geothermal, biomass, landfill gas, fuel cells, IGCC, waste coal, coal-mine methane, and demand management measures. The PEDA presently can award grants, loans, and loan guarantees.

Pennsylvania Health Insurance Exchange Authority (PHIEA) - establishes and operates the Commonwealth's Health Insurance Exchange to provide Pennsylvania residents greater access to more affordable healthcare. The PHIEA has a December 31, 2020 fiscal year-end.

Other - to account for activities of the Pennsylvania Higher Educational Facilities Authority, whose purpose is to facilitate debt issuances for the construction of public/private colleges and universities, and the Pennsylvania Rural Health Redesign Center Authority, commissioned to design and maintain a global payment model for the provision of health services in rural communities. They are presented in aggregate due to the current limited financial scope of these organizations.

There are a total of 17 discretely presented component units (DPCU). The **Pennsylvania Turnpike Commission, Pennsylvania Housing Finance Agency, Pennsylvania Higher Education Assistance Agency, Pennsylvania Infrastructure Investment Authority,** and **State System of Higher Education** are reported as major DPCU's. The Pennsylvania Economic Development Financing Authority is not reported because the only activities for this component unit involve conduit debt.

-THIS PAGE INTENTIONALLY LEFT BLANK-

Commonwealth of Pennsylvania
Combining Statement of Net Position
 Nonmajor Discretely Presented Component Units
 June 30, 2021

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyard Development Corporation (Dec. 31, 2020)	Ben Franklin Technology Development Authority	Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Pennsylvania Convention Center Authority	Thaddeus Stevens College of Technology	Pennsylvania Energy Development Authority	Pennsylvania Health Insurance Exchange Authority (Dec. 31, 2020)	Other	Total
ASSETS											
Current assets:											
Cash	\$ —	\$ 71	\$ —	\$ —	\$ 623	\$ 37,294	\$ 4,655	\$ —	\$ —	\$ 20	\$ 42,663
Temporary investments	5,292	—	16,742	2,805	231,848	16,517	4,649	222	—	—	278,075
Receivables (net):											
Accounts	—	5	—	—	45	3,909	91	—	1,482	307	5,839
Investment income	65	—	1	—	—	—	—	—	—	—	66
Interest on notes and loans	18	—	—	—	1,286	—	—	—	—	—	1,304
Loans	708	—	—	—	45,108	—	—	—	—	—	45,816
Other	21	—	—	—	—	—	777	—	—	—	798
Due from Federal Government	—	—	—	2,395	—	—	—	—	2,839	—	5,234
Inventory	—	—	—	—	—	—	1,157	—	—	—	1,157
Prepaid and deferred expenses	—	9	—	—	—	1,715	128	—	—	8	1,860
Total current assets	6,104	85	16,743	5,200	278,910	59,435	11,457	222	4,321	335	382,812
Noncurrent assets:											
Restricted cash	—	—	—	—	—	—	204	—	—	—	204
Long-term investments	21,750	—	—	—	—	—	5,693	3,657	—	—	31,100
Receivables (net):											
Loans	4,690	—	35,255	—	274,421	—	—	—	—	—	314,366
Non-depreciable capital assets:											
Land	—	161	—	—	—	994	—	—	—	—	1,155
Construction in progress	—	—	—	—	—	27,697	660	—	—	—	28,357
Depreciable or amortizable capital assets:											
Land improvements	—	—	—	—	—	—	10,481	—	—	—	10,481
Buildings and building improvements	—	—	—	—	—	799,751	4,409	—	—	—	804,160
Machinery and equipment	260	—	—	76	—	193,751	11,164	—	—	—	205,251
Library books	—	—	—	—	—	—	384	—	—	—	384
Less: accumulated depreciation and amortization	(223)	—	—	(42)	—	(461,351)	(9,876)	—	—	—	(471,492)
Net depreciable or amortizable capital assets	37	—	—	34	—	532,151	16,562	—	—	—	548,784
Other assets	—	260	—	—	—	3,777	496	—	—	834	5,367
Total noncurrent assets	26,477	421	35,255	34	274,421	564,619	23,615	3,657	—	834	929,333
TOTAL ASSETS	32,581	506	51,998	5,234	553,331	624,054	35,072	3,879	4,321	1,169	1,312,145
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 712	\$ —	\$ 451	\$ 275	\$ 3,623	\$ 2,007	\$ 12,391	\$ 79	\$ 2,095	\$ —	\$ 21,633

Commonwealth of Pennsylvania
Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2021

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyard Development Corporation (Dec. 31, 2020)	Ben Franklin Technology Development Authority	Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Pennsylvania Convention Center Authority	Thaddeus Stevens College of Technology	Pennsylvania Energy Development Authority	Pennsylvania Health Insurance Exchange Authority (Dec. 31, 2020)	Other	Total
LIABILITIES											
Current liabilities:											
Accounts payable and accrued liabilities	\$ 44	\$ —	\$ 23	\$ 1,645	\$ 940	\$ 8,684	\$ 3,521	\$ 5	\$ 2,523	\$ 307	\$ 17,692
Securities lending obligations	—	—	—	—	389	—	—	66	—	—	455
Due to primary government	—	—	5	12	5,005	1,505	7	—	32	400	6,966
Due to other governments	—	—	1	—	1	—	—	—	—	—	2
Interest payable	—	—	—	—	1,608	—	—	—	—	—	1,608
Unearned revenue	—	—	—	—	—	1,647	899	—	—	—	2,546
Revenue bonds payable	—	—	—	—	40,755	—	—	—	—	—	40,755
Compensated absences	90	—	—	—	—	—	571	—	24	—	685
Other financing obligations	—	—	—	—	—	1,655	179	—	—	—	1,834
Other postemployment benefit liability	—	—	—	—	—	267	576	—	—	—	843
Lease liability	—	—	—	—	—	—	14	—	—	—	14
Other liabilities	2	—	—	—	—	—	—	—	—	—	2
Total current liabilities	136	—	29	1,657	48,698	13,758	5,767	71	2,579	707	73,402
Noncurrent liabilities:											
Due to primary government	—	—	—	—	—	—	—	—	—	1,400	1,400
Revenue bond payable	—	—	—	—	45,322	—	—	—	—	—	45,322
Other financing obligations	—	—	—	—	—	8,862	2,218	—	—	—	11,080
Compensated absences	192	—	—	122	—	—	2,009	—	124	—	2,447
Other postemployment benefit liability	1,125	—	445	255	886	4,874	25,817	137	1,116	—	34,655
Net pension liability	1,995	—	795	819	907	4,185	20,013	121	173	—	29,008
Lease liability	—	—	—	—	—	—	11	—	—	—	11
Other liabilities	17	260	—	—	—	—	90	—	—	—	367
Total noncurrent liabilities	3,329	260	1,240	1,196	47,115	17,921	50,158	258	1,413	1,400	124,290
TOTAL LIABILITIES	3,465	260	1,269	2,853	95,813	31,679	55,925	329	3,992	2,107	197,692
TOTAL DEFERRED INFLOWS OF RESOURCES	1,798	—	703	432	804	1,693	19,113	100	634	—	25,277
NET POSITION											
Net investment in capital assets	37	161	—	34	—	552,010	14,800	—	—	—	567,042
Restricted for:											
Health-related programs	—	—	—	—	—	—	—	—	1,790	—	1,790
Capital projects	—	—	—	—	—	8,833	—	—	—	—	8,833
Debt service	—	—	—	—	68,480	—	—	—	—	—	68,480
Economic development	—	85	50,477	2,190	—	31,846	—	3,529	—	—	88,127
Other purposes	27,993	—	—	—	—	—	—	—	—	—	27,993
Unrestricted	—	—	—	—	391,857	—	(42,375)	—	—	(938)	348,544
TOTAL NET POSITION	\$ 28,030	\$ 246	\$ 50,477	\$ 2,224	\$ 460,337	\$ 592,689	\$ (27,575)	\$ 3,529	\$ 1,790	\$ (938)	\$ 1,110,809

Commonwealth of Pennsylvania
Combining Statement of Activities
 Nonmajor Discretely Presented Component Units
 For the Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyards Development Corporation (Dec. 31, 2020)	Ben Franklin Technology Development Authority	Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Pennsylvania Convention Center Authority	Thaddeus Stevens College of Technology	Pennsylvania Energy Development Authority	Pennsylvania Health Insurance Exchange Authority (Dec. 31, 2020)	Other	Total
Expenses	\$ 1,035	\$ 197	\$ 15,013	\$ 2,917	\$ 10,627	\$ 57,087	\$ 29,662	\$ 970	\$ 14,202	\$ 3,549	\$ 135,259
Program revenues:											
Charges for goods and services	1,118	146	809	—	7,029	9,211	10,910	—	11,245	902	41,370
Operating grants and contributions	313	1	14,539	3,105	1,736	12,703	24,741	290	5,248	1,709	64,385
Capital grants and contributions	—	—	—	—	—	4,500	135	—	—	—	4,635
TOTAL PROGRAM REVENUES	1,431	147	15,348	3,105	8,765	26,414	35,786	290	16,493	2,611	110,390
CHANGE IN NET POSITION	396	(50)	335	188	(1,862)	(30,673)	6,124	(680)	2,291	(938)	(24,869)
TOTAL NET POSITION, JULY 1, 2020	27,634	296	50,142	2,036	462,199	623,362	(33,699)	4,209	(501)	—	1,135,678
TOTAL NET POSITION, JUNE 30, 2021	\$ 28,030	\$ 246	\$ 50,477	\$ 2,224	\$ 460,337	\$ 592,689	\$ (27,575)	\$ 3,529	\$ 1,790	\$ (938)	\$ 1,110,809



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Statistical Section

Statistical Section Table of Contents**Financial Trends**

These tables illustrate how the Commonwealth's financial position has changed over time by providing information on the Commonwealth's net position, changes in net position, fund balance, and changes in fund balance.

Table 1-Net Position by Component	268
Table 2-Changes in Net Position	270
Table 3-Governmental Fund Type Fund Balances	272
Table 4-Revenues by Source and Expenditures by Function-All Governmental Fund Types	273

Revenue Capacity

These tables contain information on the factors that affect the Commonwealth's ability to generate its own-source revenues. The Commonwealth's largest source of revenues is taxes. Information for the three largest tax types is contained within these tables. Personal income, sales, and corporation taxes account for 78% of all general revenues for the June 30, 2021 fiscal year (as reported in the statement of activities).

Table 5-Personal Income Tax-Personal Income by Industry	274
Table 6-Personal Income Tax-Personal Income Tax Filers and Liability by Income Level	275
Table 7-Sales Tax-Estimated Taxable Sales by Industry Classification of the Vendor	276
Table 8-Sales Tax-Sales Tax Remittances by Major Industry Classification	277
Table 9-Corporate Tax-Corporate Net Income Tax	278

Debt Capacity

These tables contain information on the Commonwealth's debt burden as well as information about the Commonwealth's ability to issue additional debt.

Table 10-Outstanding Debt and Outstanding Debt Ratios	279
Table 11-Ratios of General Obligation Bonded Debt Outstanding	280
Table 12-Computation of Legal Debt Margin	281

Demographic and Economic Information

These tables contain information on the socioeconomic environment in which the Commonwealth operates.

Table 13-Employment by Nonfarm Related Industry	282
Table 14-Population and Per Capita Personal Income	283
Table 15-Employment Information	283

Operating Information

These tables provide information about the Commonwealth's operations and resources and assist in relating financial statement information to the Commonwealth's economic condition.

Table 16-Commonwealth Employees by Function and Agency	284
Table 17-Operating Indicators by Function and Agency	286
Table 18-Capital Asset Information by Function and Agency	288

-THIS PAGE INTENTIONALLY LEFT BLANK-

Commonwealth of Pennsylvania

Financial Trends

Table 1

Net Position by Component

Last Ten Fiscal Years as of June 30

(Accrual basis of accounting—amounts in thousands)

	2012	2013 (1)	2014 (2)	2015 (3)(4)	2016	2017 (5)	2018 (6)	2019	2020 (7)	2021 (8)
GOVERNMENTAL ACTIVITIES (1)										
Net investment in capital assets	\$ 26,580,581	\$ 27,774,808	\$ 28,344,818	\$ 29,177,938	\$ 30,524,584	\$ 31,540,865	\$ 32,975,535	\$ 34,261,559	\$ 34,888,556	\$ 36,091,419
Restricted for:										
General government operations	—	1,739	—	35	47	75	197	217,571	205,566	143,211
Health-related programs	18,977	18,830	16,982	15,412	14,294	13,918	13,133	18,033	33,797	44,623
Transportation	670,168	352,317	298,733	481,202	599,545	724,063	920,443	1,209,807	1,330,256	1,617,159
Unemployment/worker's compensation	427,934	499,547	528,908	405,823	468,215	529,416	522,065	655,581	705,073	862,490
Environmental and conservation programs	565,891	512,807	551,972	365,837	318,622	370,188	283,430	308,401	335,978	342,373
Economic development	—	—	—	—	—	6,862	5,619	2,907	3,324	4,649
Gaming licensing/regulation	725,468	709,348	651,467	502,589	426,436	400,131	136,002	141,125	—	386,336
Correctional industries and procurement	71,095	52,287	38,976	5,498	6,284	26,422	—	—	—	—
Emergency support	46,793	52,178	50,535	55,044	65,361	93,002	92,680	110,587	106,856	97,227
Beneficiaries (8)	—	—	—	—	—	—	—	—	473,729	479,986
Human services (9)	—	—	—	—	—	—	—	—	—	264,167
Public protection (9)	—	—	—	—	—	—	—	—	—	8,450
Other purposes	35,614	35,626	57,614	24,019	18,528	—	—	—	—	—
Unrestricted	(5,460,053)	(5,685,524)	(7,658,746)	(17,846,863)	(19,407,921)	(21,275,848)	(42,892,246)	(42,926,794)	(44,708,988)	(37,780,073)
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	23,682,468	24,323,963	22,881,259	13,186,534	13,033,995	12,429,094	(7,943,142)	(6,001,223)	(6,625,853)	2,562,017
BUSINESS-TYPE ACTIVITIES (1)										
Net investment in capital assets	77,259	465,161	489,357	504,790	528,443	556,456	600,833	707,080	753,154	769,180
Restricted for:										
Health-related programs	1,340	4,456	5,588	—	—	—	—	—	—	—
Transportation	121,760	126,986	134,364	136,802	139,029	140,676	136,932	141,160	144,657	144,080
Capital projects	—	—	—	—	2	149	182	166	494	1
Debt service	—	4,199	4,199	4,199	4,199	4,200	4,224	4,273	4,240	—
Unemployment/worker's compensation	—	—	—	—	685,191	1,746,563	2,861,392	4,094,675	1,969,190	140,100
Economic development (4)	309,636	325,269	333,821	5,256	5,102	6,373	13,495	6,073	19,880	27,484
Emergency support	147,747	151,853	156,951	129,459	132,008	127,464	130,377	134,694	133,029	131,166
Higher Education	—	29,009	155,638	226,767	218,155	282,773	381,710	465,429	464,775	737,501
Other purposes	98,203	105,929	147,076	116,825	123,408	135,536	133,877	147,636	159,771	167,615
Unrestricted	(1,913,601)	(2,412,444)	(1,961,503)	(1,632,295)	(1,395,385)	(2,274,989)	(5,038,475)	(5,387,051)	(4,699,861)	(4,742,564)
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	(1,157,656)	(1,199,582)	(534,509)	(508,197)	440,152	725,201	(775,453)	314,135	(1,050,671)	(2,625,437)
PRIMARY GOVERNMENT (1)										
Net investment in capital assets	26,657,840	28,239,969	28,834,175	29,682,728	31,053,027	32,097,321	33,576,368	34,968,639	35,641,710	36,860,599
Restricted for:										
General government operations	—	1,739	—	35	47	75	197	217,571	205,566	143,211
Health-related programs	20,317	23,286	22,570	15,412	14,294	13,918	13,133	18,033	33,797	44,623
Transportation	791,928	479,303	433,097	618,004	738,574	864,739	1,057,375	1,350,967	1,474,913	1,761,239
Capital projects	—	—	—	—	2	149	182	166	494	1
Debt service	—	4,199	4,199	4,199	4,199	4,200	4,224	4,273	4,240	—
Unemployment/worker's compensation	427,934	499,547	528,908	405,823	1,153,406	2,275,979	3,383,457	4,750,256	2,674,263	1,002,590
Environmental and conservation programs	565,891	512,807	551,972	365,837	318,622	370,188	283,430	308,401	335,978	342,373
Economic development (6)	309,636	325,269	333,821	5,256	5,102	13,235	19,114	8,980	23,204	32,133
Gaming licensing/regulation	725,468	709,348	651,467	502,589	426,436	400,131	136,002	141,125	—	386,336
Correctional industries and procurement	71,095	52,287	38,976	5,498	6,284	26,422	—	—	—	—
Emergency support	194,540	204,031	207,486	184,503	197,369	220,466	223,057	245,281	239,885	228,393
Higher education	—	29,009	155,638	226,767	218,155	282,773	381,710	465,429	464,775	737,501
Beneficiaries (8)	—	—	—	—	—	—	—	—	473,729	479,986
Human services (9)	—	—	—	—	—	—	—	—	—	264,167
Public protection (9)	—	—	—	—	—	—	—	—	—	8,450
Other purposes	133,817	141,555	204,690	140,844	141,936	135,536	133,877	147,636	159,771	167,615
Unrestricted	(7,373,654)	(8,097,968)	(9,620,249)	(19,479,158)	(20,803,306)	(23,550,837)	(47,930,721)	(48,313,845)	(49,408,849)	(42,522,637)
TOTAL PRIMARY GOVERNMENT NET POSITION (1)	\$ 22,524,812	\$ 23,124,381	\$ 22,346,750	\$ 12,678,337	\$ 13,474,147	\$ 13,154,295	\$ (8,718,595)	\$ (5,687,088)	\$ (7,676,524)	\$ (63,420)

Commonwealth of Pennsylvania
Financial Trends

Table 1
Net Position by Component
Last Ten Fiscal Years as of June 30

Source: The Commonwealth's Annual Comprehensive Financial Report (ACFR), as presented for the applicable fiscal year. For fiscal year 2012, the information can be found in the statement of net assets. Beginning with the 2013 fiscal year, the information can be found in the statement of net position.

Notes:

(1) Beginning with the 2013 fiscal year, the Commonwealth implemented two new GASB standards which affected this table. With the implementation of GASB Statement No. 61, two component units (Commonwealth Financing Authority and Philadelphia Regional Port Authority), previously reported as discretely presented component units, are reported as blended component units and are classified as proprietary fund types. Therefore, their net position is reported within the business-type activities caption. In addition, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within the governmental activities caption. The implementation of GASB Statement No. 63 resulted in the Commonwealth reporting a statement of net position for the 2013 fiscal year, replacing the statement of net assets which had been reported in previous fiscal years. For purposes of this table, the implementation of GASB Statement No. 63 had no effect other than changing the title of this table and the net investment in capital assets caption title. The purpose of each reported caption did not change with the implementation. These two standards were not retroactively applied to the previous fiscal years; therefore the amounts shown for the 2012 fiscal year were those reported within the statement of net assets for that fiscal year. For ease of reading this table and the additional notes shown below, net position is interchanged with net assets which were in effect for the 2012 fiscal year. As a result of the implementation of GASB Statement No. 61, the beginning net position for governmental activities, business-type activities, and total primary government was restated. Note B in the notes to the financial statements in the June 30, 2013 ACFR provides additional details on this restatement.

(2) For the 2014 fiscal year, the Commonwealth implemented GASB Statement No. 65 requiring the deferral of resources. With the implementation of GASB Statement No. 65, the beginning net position for governmental activities, business-type activities and total primary government was restated. Note B in the notes to the financial statements in the June 30, 2014 ACFR provides additional details on this restatement.

(3) For the 2015 fiscal year, the Commonwealth implemented GASB Statement Nos. 68 and 71, which required the reporting of net pension liability, including the associated deferral of resources. With the implementation of GASB Statement Nos. 68 and 71, the beginning net position for governmental activities, business-type activities and total primary government was restated. Note B in the notes to the financial statements in the June 30, 2015 ACFR provides additional details on this restatement.

(4) Through the 2014 fiscal year, the net position of the Small Business First Fund and the Machinery and Equipment Loan Fund (both proprietary funds) were included within the economic development restricted net position category. Effective November 1, 2014, their operations were transferred to the Pennsylvania Industrial Development Authority, a discretely presented component unit.

(5) For the 2017 fiscal year, the operations of the Pennsylvania eHealth Partnership Authority, reported as a discretely presented component unit in the June 30, 2016 ACFR, were merged into the Commonwealth's primary government, effective July 1, 2016. The operations are reported within the General Fund. With this merger, the beginning net position for governmental activities and total primary government both were restated. Note 18 in the notes to the financial statements in the June 30, 2017 ACFR provides additional details on this restatement.

(6) For the 2018 fiscal year, the Commonwealth implemented GASB Statement No. 75, which established new standards for reporting the liabilities and associated deferral of resources associated with other postemployment benefits provided to employees of state and local governments. With the implementation of GASB 75, the beginning net position for governmental activities, business-type activities and total primary government was restated. Note 18 in the notes to the financial statements in the June 30, 2018 ACFR provides additional details on this restatement.

(7) For the 2020 fiscal year, the Commonwealth implemented GASB Statement No. 84, which established new standards for identifying and reporting fiduciary activity. With the implementation of GASB 84, eleven funds, previously reported as agency fund types, were reclassified and are now reported as governmental fund types. Therefore, their net position is reported within the governmental activities caption. With the implementation of GASB 84, the beginning net position for both the governmental activities and total primary government was restated. Note 18 in the notes to the financial statements in the June 30, 2020 ACFR provides additional details on this restatement.

(8) In addition to the restatement described in note (7), the caption "Beneficiaries" was created specifically for any restricted net position for fiduciary assets not held in trust that do not meet the requirements per GASB Statement No. 84 to be reported as custodial funds in the Statement of Fiduciary Net Position. This caption is also for fiduciary assets not held in trust where the primary government has administrative or direct financial involvement. The restricted net position associated with the eleven funds noted in note (7) are reported within this caption. These changes have not been retroactively applied to prior fiscal years.

(9) Beginning with the June 30, 2021 ACFR, human services and public protection were added as captions to further describe the purposes for which the net position was restricted. These were not retroactively applied to prior years.

(10) For the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87, which established new standards for the reporting of leases. With the implementation of GASB Statement No. 87, the beginning net position for governmental activities, business-type activities, and total primary government was restated. Note 18 in the notes to the financial statements provides additional details on this restatement.

Commonwealth of Pennsylvania

Financial Trends

Table 2

Changes in Net Position

Last Ten Fiscal Years as of June 30

(Accrual basis of accounting—amounts in thousands)

	2012	2013	2014 (2)	2015 (3)	2016	2017 (5)	2018 (6)	2019	2020 (7)	2021 (8)
GOVERNMENTAL ACTIVITIES (1)										
Expenses:										
Direction and supportive services	\$ 2,243,649	\$ 1,528,057	\$ 1,619,894	\$ 1,415,057	\$ 1,366,741	\$ 1,255,577	\$ 1,580,148	\$ 1,649,677	\$ 1,780,658	\$ 1,769,795
Protection of persons and property	5,541,681	6,010,950	6,216,380	6,659,818	6,750,256	7,011,736	6,839,284	6,997,412	6,288,160	7,069,322
Public education	13,394,225	13,885,466	14,205,019	14,451,280	14,914,554	16,426,782	16,516,828	16,978,293	17,500,801	18,075,619
Health and human services	30,680,717	30,495,970	31,634,286	33,880,187	36,620,781	41,335,410	40,314,856	43,215,757	47,281,732	51,308,190
Economic development	1,537,068	1,032,887	1,005,570	977,910	883,046	1,006,700	930,891	907,959	2,102,195	1,223,545
Transportation	4,382,503	4,764,139	5,204,513	5,751,229	5,943,778	6,365,630	6,193,274	6,472,612	6,234,113	6,117,897
Recreation and cultural enrichment	514,309	519,242	522,662	615,175	607,420	626,244	597,073	591,836	614,142	580,986
Interest	475,545	489,401	494,177	266,477	512,324	435,877	520,369	343,572	326,778	324,741
Total expenses	58,769,697	58,726,112	60,902,501	64,017,133	67,598,900	74,463,956	73,492,723	77,157,118	82,128,579	86,470,095
Program revenues:										
Charges for sales and services:										
Direction and supportive services	277,492	363,296	256,820	975,506	424,384	428,813	351,172	385,580	365,256	356,047
Protection of persons and property	1,302,020	1,380,582	1,348,469	1,350,043	1,539,295	1,571,915	1,895,974	1,940,835	1,935,737	1,997,209
Public education	4,776	5,926	5,337	5,102	7,647	6,059	7,175	7,370	5,943	6,639
Health and human services	1,658,657	1,641,534	1,726,322	1,819,309	1,999,519	2,994,241	3,165,336	3,920,299	3,725,122	4,014,072
Economic development	8,205	13,910	6,373	6,695	7,110	6,221	5,582	7,363	124,654	122,681
Transportation	970,026	972,417	1,036,790	1,210,668	1,316,284	1,365,419	1,434,982	1,425,810	1,428,307	1,574,242
Recreation and cultural enrichment	245,405	304,903	338,954	274,966	251,242	258,709	250,493	328,164	291,133	296,332
Operating grants and contributions	22,816,711	22,792,032	22,859,945	24,083,463	26,946,551	30,207,372	29,458,189	31,119,597	35,859,590	42,951,814
Capital grants and contributions	67,866	91,603	42,261	32,186	62,360	78,145	30,682	217,056	30,669	96,087
Total program revenues	27,351,158	27,566,203	27,621,271	29,757,938	32,554,392	36,916,894	36,599,585	39,352,074	43,766,411	51,415,123
Total governmental activities net program revenues/(expenses)	(31,418,539)	(31,159,909)	(33,281,230)	(34,259,195)	(35,044,508)	(37,547,062)	(36,893,138)	(37,805,044)	(38,362,168)	(35,054,972)
General revenues and other changes in net position:										
General revenues:										
Taxes:										
Personal income	10,022,285	10,798,328	10,817,073	11,678,106	12,025,979	12,072,378	12,810,647	13,588,057	13,253,021	14,979,293
Sales and use	8,977,379	9,106,779	9,293,356	9,872,467	10,231,892	10,714,383	10,834,227	11,837,831	11,763,375	13,545,318
Corporation	4,504,105	4,781,555	4,314,093	5,195,882	4,134,991	4,406,000	4,548,567	5,049,323	5,099,250	5,756,494
Liquid fuels and motor carriers	2,096,222	2,058,226	2,349,982	3,017,991	3,303,273	3,583,153	3,846,040	3,830,243	3,445,897	3,624,154
Gaming (2)	1,487,729	1,447,796	1,404,277	1,404,195	1,393,508	1,402,207	1,427,502	1,465,402	1,196,563	1,672,407
Inheritance	803,573	796,007	850,221	976,286	947,699	988,569	1,008,382	1,034,367	1,071,513	1,292,139
Cigarette	1,081,587	1,038,605	968,436	954,930	974,267	1,406,189	1,363,371	1,288,162	1,223,918	1,267,940
Realty transfer	343,015	396,552	439,797	485,275	564,002	564,030	606,555	628,245	589,838	745,018
Other	1,306,395	1,353,566	1,499,745	1,459,063	1,350,437	948,200	624,910	723,702	991,947	1,045,357
Total taxes	30,622,290	31,777,414	31,936,980	35,044,195	34,926,048	36,085,109	37,070,201	39,445,332	38,635,322	43,928,120
Investment income	14,979	12,876	36,311	16,072	16,297	22,977	38,758	66,236	45,409	23,327
Total general revenues	30,637,269	31,790,290	31,973,291	35,060,267	34,942,345	36,108,086	37,108,959	39,511,568	38,680,731	43,951,447
Transfers from business-type activities	210,438	17,275	(103,151)	127,071	(50,376)	833,714	1,834,711	235,395	(486,771)	289,051
Net general revenues and transfers	30,847,707	31,807,565	31,870,140	35,187,338	34,891,969	36,941,800	38,943,670	39,746,963	38,193,960	44,240,498
Total governmental activities change in net position	\$ (570,832)	\$ 647,656	\$ (1,411,090)	\$ 928,143	\$ (152,539)	\$ (605,262)	\$ 2,050,532	\$ 1,941,919	\$ (168,208)	\$ 9,185,526

Commonwealth of Pennsylvania

Financial Trends

Table 2

Changes in Net Position

Last Ten Fiscal Years as of June 30

(Accrual basis of accounting—amounts in thousands)

	2012	2013	2014 (2)	2015 (3)	2016	2017 (5)	2018 (6)	2019	2020 (7)	2021 (8)
BUSINESS-TYPE ACTIVITIES (1)										
Expenses										
State lottery	\$ 3,429,773	\$ 3,732,233	\$ 3,720,574	\$ 4,078,746	\$ 3,967,703	\$ 3,982,011	\$ 4,089,703	\$ 4,498,658	\$ 4,315,251	\$ 5,115,046
State workers' insurance	268,388	365,900	267,991	312,856	286,526	221,245	167,630	132,028	102,667	35,039
Tuition payment	236,342	248,592	277,139	226,330	231,082	336,445	255,056	255,230	289,113	249,403
Unemployment compensation	6,031,968	4,498,001	3,189,395	2,235,297	2,322,278	2,088,543	1,911,547	1,785,691	21,726,219	25,955,854
Commonwealth Financing Authority (1)	N/A	261,428	189,682	162,358	188,604	217,680	253,020	298,466	383,494	340,975
Liquor control	1,569,868	1,618,065	1,683,185	1,800,698	1,855,594	1,947,038	1,965,637	1,988,873	1,870,198	2,074,485
Economic development and other (1)	16,997	41,199	47,212	57,287	54,089	52,211	55,765	76,317	54,205	73,555
Total expenses	11,553,336	10,765,418	9,375,178	8,873,572	8,905,876	8,845,173	8,698,358	9,035,263	28,741,147	33,844,357
Program revenues										
Charges for sales and services:										
State lottery	3,476,953	3,671,780	3,786,090	3,810,017	4,135,246	4,002,543	4,213,344	4,587,868	4,561,273	5,456,344
State workers' insurance	157,579	178,058	207,208	252,660	211,481	184,205	166,029	153,279	115,981	92,344
Tuition payment	185,947	182,555	191,766	191,915	192,187	206,893	205,717	208,814	204,868	209,831
Unemployment compensation	3,447,659	3,031,318	2,900,976	3,073,915	3,162,555	3,122,318	2,961,853	2,966,174	2,680,334	2,195,551
Commonwealth Financing Authority (1)	N/A	101,722	84,631	11,083	9,237	10,497	21,692	15,045	5,917	4,555
Liquor control	1,673,027	1,747,060	1,803,367	1,880,256	1,956,129	2,046,869	2,116,899	2,169,930	2,078,231	2,343,890
Economic development and other (1)	17,478	25,816	25,305	36,170	26,463	29,211	30,511	32,257	33,848	50,022
Operating grants and contributions	3,211,902	2,166,475	1,048,220	416,322	110,551	361,400	328,832	223,076	17,194,720	22,200,027
Capital grants and contributions	—	1,128	270	232	—	—	—	3,803	14,398	5,539
Total program revenues	12,170,545	11,014,362	9,971,665	9,645,570	9,803,849	9,963,936	10,044,877	10,360,246	26,889,570	32,558,103
Total business-type activities net program revenues/(expenses)	617,209	248,944	596,487	771,998	897,973	1,118,763	1,346,519	1,324,983	(1,851,577)	(1,286,254)
Other changes in net position										
Special item—loss on transfer of operations (4)	—	—	—	(157,930)	—	—	—	—	—	—
Transfers to governmental activities	(210,438)	(17,275)	103,151	(127,071)	50,376	(833,714)	(1,834,711)	(235,395)	486,771	(289,051)
Net special items and transfers	(210,438)	(17,275)	103,151	(285,001)	50,376	(833,714)	(1,834,711)	(235,395)	486,771	(289,051)
Total business-type activities change in net position	406,771	231,669	699,638	486,997	948,349	285,049	(488,192)	1,089,588	(1,364,806)	(1,575,305)
Total primary government change in net position	\$ (164,061)	\$ 879,325	\$ (711,452)	\$ 1,415,140	\$ 795,810	\$ (320,213)	\$ 1,562,340	\$ 3,031,507	\$ (1,533,014)	\$ 7,610,221

Source: The statement of activities, as presented in the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the applicable fiscal year.

Notes:

- Beginning with the 2013 fiscal year, the Commonwealth implemented two new GASB standards which affected this table. With the implementation of GASB Statement No. 61, two component units (Commonwealth Financing Authority and Philadelphia Regional Port Authority), previously reported as discretely presented component units, are reported as blended component units and are classified as proprietary fund types. The Commonwealth Financing Authority is reported as a major enterprise fund, and is reported under the Commonwealth Financing Authority caption. The Philadelphia Regional Port Authority is reported as a nonmajor enterprise fund, and is reported within the "Economic development and other" caption. In addition, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within the governmental activities caption. The implementation of GASB Statement No. 63 resulted in the Commonwealth reporting a statement of net position for the 2013 fiscal year, replacing the statement of net assets which had been reported in previous fiscal years. For purposes of this table, the implementation of GASB Statement No. 63 had no effect other than changing the reference to changes in net position rather than changes in net assets. These two standards were not retroactively applied to the previous fiscal years. For ease of reading this table, change in net position is interchanged with change in net assets which were in effect for the 2012 fiscal year.
- Beginning with the 2014 fiscal year, the Commonwealth implemented GASB Statement No. 65. Note B in the notes to the financial statements in the June 30, 2014 ACFR provides additional details on this implementation. The primary effect on this table is that beginning with the 2014 fiscal year, certain assets are now reported as expenses. The changes were not made retroactively.
- Beginning with the 2015 fiscal year, the Commonwealth implemented GASB Statement Nos. 68 and 71. Note B in the notes to the financial statements in the June 30, 2015 ACFR provides additional details on this implementation. The primary effect on this table is that beginning with the 2015 fiscal year, expenses associated with net pension liability and associated deferral of resources are now being reported within this table. The changes were not made retroactively.
- Effective November 1, 2014, the operations of the Small Business First Fund and the Machinery and Equipment Loan Fund (both proprietary funds) were transferred to the Pennsylvania Industrial Development Authority, a discretely presented component unit.
- Beginning with the 2017 fiscal year, the operations of the Pennsylvania eHealth Partnership Authority, reported as a discretely presented component unit in the June 30, 2016 ACFR, were merged into the Commonwealth's primary government, effective July 1, 2016. The operations are reported within the General Fund. Note 18 in the notes to the financial statements in the June 30, 2017 ACFR provides additional details on this implementation. The primary effect on this table is that beginning with the 2017 fiscal year, the activity associated with these operations is being reported within this table.
- Beginning with the 2018 fiscal year, the Commonwealth implemented GASB Statement No. 75. Note 18 in the notes to the financial statements in the June 30, 2018 ACFR provides additional details on this implementation. The primary effect on this table is that beginning with the 2018 fiscal year, expenses associated with other postemployment benefit liabilities and associated deferral of resources are now being reported within this table. The changes were not made retroactively.
- Beginning with the 2020 fiscal year, the Commonwealth implemented GASB Statement No. 84. Note 18 in the notes to the financial statements in the June 30, 2020 ACFR provides additional details on this implementation. The primary effect on this table is that beginning with the 2020 fiscal year, the activity of eleven funds, previously reported as agency funds, are now reported within governmental activities. The changes were not made retroactively.
- Beginning with the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87. Note 18 in the notes to the financial statement provides additional details on this implementation. The primary effect on this table is that beginning with the 2021 fiscal year, additional lease related revenues and expenses are reported within governmental activities, business-type activities, and the total primary government. The changes were not made retroactively.

Commonwealth of Pennsylvania

Financial Trends

Table 3

Governmental Fund Type Fund Balances

Last Ten Fiscal Years as of June 30

(Modified accrual basis of accounting-amounts in thousands)

	2012	2013 (1)	2014	2015	2016	2017 (3)	2018	2019	2020 (4)	2021 (5)
GENERAL FUND (1)(2)(3)										
Nonspendable	\$ 240,975	\$ 223,930	\$ 265,403	\$ 247,216	\$ 284,398	\$ 218,343	\$ 201,500	\$ 183,102	\$ 170,248	\$ 103,772
Restricted	—	76	45	36	45	78	1,378	8,791	21,779	206,572
Committed	1,276,671	1,334,872	1,119,470	1,289,298	1,486,831	2,321,358	2,737,182	2,820,739	3,181,608	3,379,346
Assigned	—	7,132	—	—	—	—	—	—	—	—
Unassigned/(deficit)	(258,351)	—	(1,950,956)	(1,262,997)	(1,681,165)	(3,237,347)	(2,126,350)	(2,177,242)	(4,898,838)	(616,664)
TOTAL GENERAL FUND	1,259,295	1,566,010	(566,038)	273,553	90,109	(697,568)	813,710	835,390	(1,525,203)	3,073,026
ALL OTHER GOVERNMENTAL FUNDS (1)(2)(3)										
Restricted reported in:										
Special Revenue funds	3,690,354	3,557,116	3,776,739	3,756,605	3,708,867	3,122,650	3,347,768	4,723,873	5,290,753	7,032,940
Committed reported in:										
Special Revenue funds	402,207	374,074	373,185	116,314	159,035	159,374	66,986	107,388	64,077	89,234
Debt Service funds	48,400	37,041	9,221	11,717	23,446	7,240	53,594	14,206	5,158	35,857
Capital Projects funds	509,618	282,094	423,670	1,022,565	566,823	1,179,244	1,659,719	930,615	359,311	924,048
Unassigned reported in:										
Special Revenue funds (deficit)	(2,955)	(3,167)	—	(1,936)	—	(42,077)	(9,481)	(13,937)	(14,874)	(14,235)
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ 4,647,624	\$ 4,247,158	\$ 4,582,815	\$ 4,905,265	\$ 4,458,171	\$ 4,426,431	\$ 5,118,586	\$ 5,762,145	\$ 5,704,425	\$ 8,067,844

Source: The balance sheet-governmental funds statement, as presented in the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the applicable fiscal year.

Notes:

- (1) Beginning with the 2013 fiscal year, the Commonwealth implemented GASB Statement No. 61, which affected this table. With the implementation of GASB Statement No. 61, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within the governmental fund caption. As a result of the implementation of GASB Statement No. 61, the beginning fund balance for the General Fund was restated. Note B in the notes to the financial statements in the June 30, 2013 ACFR provides additional details on this restatement.
- (2) The Cigarette Fire Safety & Firefighter Protection Fund was initially created and reported as a component of the General Fund in the June 30, 2013 ACFR. Based on criteria established by GASB Statement No. 54, it was determined that this fund should have been classified as a special revenue fund. Therefore, this reclassification required the restatement of the General Fund fund balance as well as the fund balance for all other governmental funds. Note B in the notes to the financial statements in the June 30, 2014 ACFR provides additional details on this restatement.
- (3) For the 2017 fiscal year, the operations of the Pennsylvania eHealth Partnership Authority, reported as a discretely presented component unit in the June 30, 2016 ACFR, were merged into the Commonwealth's primary government, effective July 1, 2016. The activity is reported within the General Fund. In addition, the Veterans' Trust Fund was initially created and reported as a component of the General Fund in the June 30, 2013 ACFR. Based on criteria established by GASB Statement No. 54, it was determined for the June 30, 2017 ACFR that this fund should have been classified as a special revenue fund. With the merger and the reclassification of the Veterans' Trust Fund, the General Fund and the fund balance for all other governmental funds was restated for the 2017 fiscal year. Note 18 in the notes to the financial statements in the June 30, 2018 ACFR provides additional details on this restatement.
- (4) Beginning with the 2020 fiscal year, the Commonwealth implemented GASB Statement No. 84, which affected this table. With the implementation of GASB Statement 84, eleven funds, previously reported as agency fund types, were reclassified as governmental fund types. Two of these fund types were reclassified as components of the General Fund, and the remaining nine were reclassified as special revenue funds. As a result of this implementation, the beginning fund balance of the General Fund as well as the fund balance for all other governmental funds was restated. Note 18 in the notes to the financial statements in the June 30, 2020 ACFR provides additional details on this restatement.
- (5) For the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87, which established new standards for the reporting of leases. With the implementation of GASB Statement No. 87, the beginning fund balance of the General Fund as well as the fund balance for all other governmental funds was restated. Note 18 in the notes to the financial statements provides additional details on this restatement.

Commonwealth of Pennsylvania

Financial Trends

Table 4

Revenues by Source and Expenditures by Function-All Governmental Fund Types

Last Ten Fiscal Years as of June 30

(Modified accrual basis of accounting-amounts in thousands)

	2012	2013 (1)	2014	2015	2016	2017	2018	2019	2020 (4)	2021 (5)
REVENUES BY SOURCE										
Taxes, net of refunds	\$ 30,775,017	\$ 31,722,661	\$ 31,696,451	\$ 35,049,415	\$ 35,062,564	\$ 35,804,620	\$ 37,166,942	\$ 39,167,899	\$ 38,514,172	\$ 43,691,592
Licenses and fees	2,070,914	2,149,402	2,212,222	2,414,048	2,711,573	2,777,557	3,121,904	3,318,825	3,030,191	3,222,811
Intergovernmental	22,804,215	22,683,124	22,543,458	24,083,157	27,130,356	29,734,671	29,257,457	30,975,599	35,761,569	42,832,609
Charges for sales and services	1,763,586	1,839,507	1,920,911	2,793,311	2,129,846	3,099,188	3,342,704	3,695,729	4,244,796	4,523,510
Investment income	116,945	155,845	270,607	93,756	85,338	218,483	169,233	288,839	239,000	263,633
Other (2)	709,810	767,463	486,992	441,176	702,830	739,385	630,784	971,589	614,718	619,034
TOTAL REVENUES	58,240,487	59,318,002	59,130,641	64,874,863	67,822,507	72,373,904	73,689,024	78,418,480	82,404,446	95,153,189
EXPENDITURES BY FUNCTION										
Direction and supportive services	1,578,240	1,557,306	1,535,593	1,329,707	1,124,931	1,150,808	1,407,098	1,372,559	1,678,050	1,683,432
Protection of persons and property	5,089,854	5,668,261	5,753,876	5,936,010	5,884,950	6,208,519	6,276,949	6,593,861	6,659,007	7,353,320
Health and human services	30,662,493	30,371,117	31,773,484	33,920,750	36,729,441	40,378,702	40,186,060	43,256,755	47,762,894	51,824,805
Public education	13,363,316	13,858,078	14,108,944	14,414,312	14,867,677	16,345,233	16,467,799	16,934,932	17,464,045	18,035,491
Recreation and cultural enrichment	482,065	474,966	484,137	544,326	536,873	533,125	559,015	563,846	612,400	623,957
Economic development	1,405,895	1,028,828	1,000,607	970,286	858,890	983,358	916,074	926,245	2,132,049	1,247,396
Transportation	3,264,969	3,342,421	3,467,088	4,096,439	4,275,308	4,520,863	4,326,573	4,570,221	4,520,671	4,413,571
Capital outlay	3,389,801	2,915,982	2,836,086	2,961,404	3,186,397	2,920,195	3,426,519	3,374,576	3,001,104	3,273,896
Debt service:										
Principal retirement	711,875	769,390	761,345	762,425	757,455	768,551	724,720	815,185	835,116	848,100
Interest and fiscal charges	510,783	531,564	554,574	563,326	578,463	582,068	567,924	589,894	555,939	546,099
TOTAL EXPENDITURES	60,459,291	60,517,913	62,275,734	65,498,985	68,800,385	74,391,422	74,858,731	78,998,074	85,221,275	89,850,067
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,218,804)	(1,199,911)	(3,145,093)	(624,122)	(977,878)	(2,017,518)	(1,169,707)	(579,594)	(2,816,829)	5,303,122
OTHER FINANCING SOURCES/(USES)										
Bonds issued	1,600,303	950,300	1,295,000	1,460,000	355,000	1,208,725	1,247,000	—	—	1,019,600
Refunding bonds issued	161,272	361,760	289,946	782,425	633,175	605,170	970,030	886,875	—	495,525
Premium on bonds/refunding bonds issued	259,314	216,416	203,088	318,957	173,671	242,927	252,698	176,780	—	150,966
Discount on bonds issued	—	—	—	(1,441)	(780)	(2,286)	(1,430)	—	—	(1,831)
Other financing obligation proceeds	—	—	—	—	—	—	201,115	—	—	75,195
Premium on other financing obligations	—	—	—	—	—	—	—	—	—	7,627
Transfers in	1,777,033	1,914,421	1,956,242	2,242,290	2,265,296	3,158,742	4,022,068	2,887,453	2,286,787	2,941,128
Transfers out	(1,580,564)	(1,888,173)	(2,059,393)	(2,115,219)	(2,315,672)	(2,325,028)	(2,187,357)	(2,652,058)	(2,773,558)	(2,652,077)
Payment to refunded bond escrow agent	(192,390)	(444,364)	(336,896)	(900,849)	(763,350)	(683,084)	(1,136,887)	(1,059,811)	—	(494,440)
Leases and installment purchases	108,263	1,965	715	—	—	—	749	1,635	4,605	117,086
TOTAL OTHER FINANCING SOURCES/(USES)	2,133,231	1,112,325	1,348,702	1,786,163	347,340	2,205,166	3,367,986	240,874	(482,166)	1,658,779
NET CHANGE IN FUND BALANCES	\$ (85,573)	\$ (87,586)	\$ (1,796,391)	\$ 1,162,041	\$ (630,538)	\$ 187,648	\$ 2,198,279	\$ (338,720)	\$ (3,298,995)	\$ 6,961,901
Debt Service as a Percentage of Noncapital Expenditures (3)	2.14 %	2.26 %	2.21 %	2.12 %	2.04 %	1.89 %	1.81 %	1.86 %	1.69 %	1.61 %

Source: The statement of revenues, expenditures, and changes in fund balances-governmental funds statement, as presented in the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the applicable fiscal year.

Notes:

- (1) Beginning with the 2013 fiscal year, the Commonwealth implemented GASB Statement No. 61, which affected this table. With the implementation of GASB Statement No. 61, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within this table. This change was not retroactively applied to the previous fiscal years.
- (2) Other revenues include immaterial amounts of lease rentals revenues and interest on notes and loans.
- (3) Ratio is calculated as principal retirement plus interest and fiscal charges expenditures divided by total expenditures less capital outlay expenditures. There are no expenditures for capitalized assets contained within the functional expenditure categories.
- (4) Beginning with the 2020 fiscal year, the Commonwealth implemented GASB Statement No. 84. As noted in Table 3, the Commonwealth restated the governmental fund balances for July 1, 2019. Note 18 in the notes to the financial statements in the June 30, 2020 ACFR provides additional details on this restatement. The primary effect on this table is that beginning with the 2020 fiscal year, the activity of eleven funds, previously reported as agency funds, are now reported as governmental fund types within this table. The changes were not made retroactively.
- (5) Beginning with the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87. Note 18 in the notes to the financial statements provides additional details on this implementation. The primary effect on this table is that beginning with the 2021 fiscal year, additional lease related financing sources and expenditures are reported within this table. The changes were not made retroactively.

Commonwealth of Pennsylvania
Revenue Capacity-Personal Income Tax
Table 5
Personal Income by Industry
For the Last Ten Calendar Years

(Amounts in millions)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
TOTAL PERSONAL INCOME BY INDUSTRY (1)(2)										
Workplace earnings:										
Farm earnings	\$ 1,794	\$ 2,059	\$ 2,311	\$ 2,627	\$ 1,691	\$ 862	\$ 1,624	\$ 970	\$ 1,525	\$ 1,978
Nonfarm earnings:										
Private earnings:										
Forestry, fishing/hunting, agriculture	563	682	699	755	842	845	833	865	823	814
Mining	3,918	4,021	4,477	5,119	3,391	2,193	3,887	3,182	3,252	2,615
Utilities	3,193	3,010	3,129	3,207	3,627	3,746	3,681	3,862	3,789	3,978
Construction	21,616	21,932	22,731	24,722	26,090	26,655	28,728	29,816	31,208	30,493
Manufacturing	41,053	41,946	42,672	43,855	45,331	44,417	46,412	49,726	51,249	49,680
Wholesale trade	19,351	19,939	20,343	21,292	21,567	21,007	21,662	21,935	22,332	22,230
Retail trade	23,234	23,540	23,777	23,805	24,295	24,501	24,639	25,818	26,634	26,882
Transportation and warehousing	15,530	15,803	16,184	17,246	21,009	22,067	23,852	26,954	26,378	26,272
Broadcasting/publishing/internet technology	19,073	22,371	24,774	24,137	23,645	27,075	23,531	23,179	20,312	20,632
Finance and insurance	23,688	24,599	25,423	26,806	27,385	27,501	28,228	28,529	30,034	31,818
Real estate and rental and leasing	3,245	5,550	7,296	7,894	9,078	9,441	9,364	9,326	9,794	10,194
Professional and technical services	37,156	38,893	39,543	41,302	43,513	45,111	47,336	48,945	51,688	52,976
Management of companies and enterprises	15,120	16,121	17,148	17,433	18,435	18,237	19,127	20,212	21,289	20,188
Administrative services	12,853	12,997	13,557	14,135	14,807	14,903	16,060	16,874	17,567	17,388
Educational services	12,447	12,952	13,285	13,798	14,290	15,097	15,267	15,950	16,750	16,714
Health care and social assistance	54,711	56,093	57,778	59,183	61,777	63,580	65,732	69,068	71,997	74,585
Arts, entertainment, and recreation	4,237	4,451	4,558	5,062	5,065	5,654	5,764	6,045	6,082	4,238
Accommodation and food services	9,382	10,014	10,411	10,829	11,451	11,980	12,469	13,123	14,036	10,573
Other services, except public administration	13,585	14,464	14,381	15,187	16,272	16,578	16,855	17,674	18,063	17,462
Total private earnings	333,955	349,378	362,166	375,767	391,870	400,588	413,427	431,083	443,277	439,732
Government:										
Federal, civilian	9,827	9,669	9,411	9,619	9,933	10,138	10,460	10,841	11,113	11,640
Military	1,547	1,509	1,467	1,394	1,370	1,391	1,398	1,442	1,497	1,519
State government	12,916	12,675	13,249	13,421	13,883	14,003	14,127	14,367	14,658	14,861
Local government	32,436	31,529	33,501	33,698	34,227	34,688	34,994	36,091	36,963	37,305
Total government earnings	56,726	55,382	57,628	58,132	59,413	60,220	60,979	62,741	64,231	65,325
Total nonfarm earnings	390,681	404,760	419,794	433,899	451,283	460,808	474,406	493,824	507,508	505,057
Total workplace earnings	392,475	406,819	422,105	436,526	452,974	461,670	476,030	494,794	509,033	507,035
Other earnings/deductions (3)	172,220	180,847	171,577	182,553	191,014	199,490	203,590	221,543	228,128	281,690
Total personal income	\$ 564,695	\$ 587,666	\$ 593,682	\$ 619,079	\$ 643,988	\$ 661,160	\$ 679,620	\$ 716,337	\$ 737,161	\$ 788,725
Total personal income subject to the direct personal income tax rate (4)(5)	\$ 321,131	\$ 340,162	\$ 340,150	\$ 357,088	\$ 374,294	\$ 372,576	\$ 395,769	\$ 417,664	N/A	N/A
Direct personal income tax rate	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%

Sources:
Personal income by industry is provided by the Bureau of Economic Analysis, US Department of Commerce (www.bea.gov/index.htm) through estimates released September 2021.
Total personal income subject to the direct tax rate was obtained from the Pennsylvania Department of Revenue. The information for the 2018 calendar year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-April 2021 (Fiscal Year 2019-20). The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for April 2021. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.pa.gov.

Notes:
(1) Various calendar years differ from the totals shown in the Commonwealth's Annual Comprehensive Financial Report for June 30, 2020. The amounts shown in the prior year were based on estimates released by the Bureau of Economic Analysis, U.S. Department of Commerce in September 2020. These estimates have subsequently been revised (as provided in the September 2021 release).
(2) Personal income by industry is reported under the North American Industry Classification System.
(3) Other earnings/deductions include dividends, interest and miscellaneous employee/employer contributions/deductions.
(4) Total personal income subject to the direct personal income tax rate consists of taxable compensation, interest, dividends, net profits and other income, prior to the application of various tax credits. This amount is self-assessed by the taxpayer on their tax returns for the tax year. Due to the complexity and length of the tax return filing and review process, the total compilation is not yet available for release by the Pennsylvania Department of Revenue for the 2019 and 2020 tax years.
(5) This information is presented by tax year, rather than by calendar year, as the personal income by industry is presented. An individual filer's tax year is defined as that period for which that person must file a tax return. Generally, many filers have the last day of their filing year fall on December 31st; however, for various reasons, other filers have a filing year that falls on a different date (e.g. March 31st). The information presented is based on those returns of the filers whose tax year ended during the applicable calendar year.

Commonwealth of Pennsylvania
Revenue Capacity- Personal Income tax
Table 6
Personal Income Tax Filers and Liability by Income Level
2009 and 2018 Tax Years

(liability amounts in thousands)

2009 Tax Year (1)(2)(3)(5)					2018 Tax Year (1)(2)(3)(5)				
Taxable Income Level	Number of Filers	Percentage of Total (6)	Personal		Taxable Income Level	Number of Filers	Percentage of Total (6)	Personal	
			Income Tax Liability (4)	Percentage of Total (6)				Income Tax Liability (4)	Percentage of Total (6)
\$0	154,771	2.60 %	\$ —	0.00 %	\$0	258,775	4.01 %	\$ —	0.00 %
\$1-999	416,530	6.99 %	146	0.05 %	\$1-9,999	1,488,373	23.07 %	171,231	1.34 %
\$1,000-2,999	406,212	6.81 %	742	0.27 %	\$10,000-19,999	767,654	11.90 %	347,416	2.71 %
\$3,000-4,999	310,031	5.20 %	1,157	0.42 %	\$20,000-29,999	634,339	9.83 %	485,393	3.79 %
\$5,000-6,999	256,289	4.30 %	1,441	0.52 %	\$30,000-39,999	556,062	8.62 %	594,206	4.63 %
\$7,000-8,999	213,507	3.58 %	1,604	0.58 %	\$40,000-49,999	443,373	6.87 %	609,981	4.76 %
\$9,000-10,999	188,926	3.17 %	1,777	0.64 %	\$50,000-74,999	761,924	11.81 %	1,436,582	11.20 %
\$11,000-12,999	170,185	2.85 %	1,923	0.69 %	\$75,000-99,999	478,110	7.41 %	1,271,408	9.92 %
\$13,000-14,999	159,533	2.68 %	2,103	0.76 %	\$100,000-249,999	852,343	13.21 %	3,857,660	30.09 %
\$15,000-16,999	151,035	2.53 %	2,275	0.82 %	\$250,000-499,999	147,693	2.29 %	1,524,378	11.89 %
\$17,000-18,999	139,203	2.33 %	2,360	0.85 %	\$500,000-999,999	42,822	0.66 %	882,277	6.88 %
\$19,000-21,999	201,378	3.38 %	3,889	1.40 %	\$1,000,000 or more	19,079	0.30 %	1,641,757	12.80 %
\$22,000-24,999	194,586	3.26 %	4,308	1.55 %					
\$25,000-29,999	300,569	5.04 %	7,775	2.80 %					
\$30,000-34,999	270,448	4.54 %	8,270	2.98 %					
\$35,000-39,999	237,664	3.99 %	8,389	3.02 %					
\$40,000-49,999	395,613	6.63 %	16,701	6.01 %					
\$50,000-74,999	690,120	11.57 %	39,959	14.38 %					
\$75,000-99,999	417,238	7.00 %	33,988	12.23 %					
\$100,000-149,999	385,564	6.47 %	43,789	15.76 %					
\$150,000-249,999	195,573	3.28 %	34,368	12.37 %					
\$250,000 or more	107,970	1.81 %	60,971	21.94 %					
Total (6)	5,962,945	100.00 %	\$ 277,935	100.00 %	Total	6,450,547	100.00 %	\$ 12,822,289	100.00 %

Sources:

For the 2009 tax year, all of the information was provided directly by the Pennsylvania Department of Revenue. For the 2018 tax year, the number of filers per taxable income level and the personal income subject to the direct personal income tax rate per income level (used in the Personal Income Tax Liability estimation) were obtained from the Statistical Supplement for the Pennsylvania Tax Compendium-April 2021 (Fiscal Year 2019-20). The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for April 2021. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.pa.gov.

Notes:

- (1) Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth cannot disclose the names of the ten largest personal income tax filers. Therefore, this schedule is presented as an alternative comparison regarding the sources of the Commonwealth's personal income tax revenue.
- (2) An individual filer's tax year is defined as that period for which that person must file a tax return. Generally, many filers have the last day of their filing year fall on December 31st; however, for various reasons, other filers have a filing year that falls on a different date (e.g. March 31st). This table presents information based on all filers whose tax year ended during the 2009 or 2018 calendar years.
- (3) Due to the complexity and length of the tax return filing and review process, the total compilation of personal income subject to the direct tax rate per income level was not yet available for release by the Pennsylvania Department of Revenue for the 2019 and 2020 tax years. This compilation is used in the calculation of the estimated personal income tax liability. Therefore, the 2009 and 2018 tax years are presented as an alternative comparison.
- (4) The estimated total personal income tax liability is calculated by multiplying the total personal income (as self-assessed by the individual tax filer) for the income level by the tax rate applicable during the tax year. The estimated liability is presented before any applicable tax credits were applied. Beginning with the 2004 tax year, the rate increased to 3.07%. This rate has been in effect for all subsequent tax years.
- (5) Beginning with the 2017 tax year, the captions used by the Pennsylvania Department of Revenue changed. The amounts for the 2009 tax year are reported within the original captions; whereas the amounts reported in the 2018 tax year are reported within the new captions.
- (6) Totals may not foot due to rounding.

**Commonwealth of Pennsylvania
Revenue Capacity-Sales Tax**

**Table 7
Estimated Taxable Sales by Industry Classification of the Vendor
For the Last Ten Fiscal Years Ended June 30**

(Amounts in thousands)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Estimated Taxable Sales by Industry (1)(2)(3)										
Manufacturing	\$ 7,182,245	\$ 7,426,068	\$ 7,391,732	\$ 7,555,033	\$ 6,866,437	\$ 6,852,700	\$ 6,788,750	\$ 7,262,917	\$ 7,466,667	\$ 7,295,000
Public utilities	5,002,202	4,680,907	4,492,653	4,761,067	4,624,260	4,565,533	4,583,617	4,647,817	4,666,667	4,195,000
Wholesale trade	11,590,333	12,419,575	12,316,835	12,792,633	14,385,888	14,344,567	14,582,100	15,700,450	17,150,000	16,075,000
Building materials	8,714,365	8,878,250	9,039,222	9,158,683	9,515,812	9,906,717	10,125,267	10,484,900	11,416,667	11,511,667
General merchandise	19,740,610	19,354,965	19,879,167	19,969,650	20,713,098	21,196,000	21,704,150	22,933,933	25,933,333	28,121,667
Food and beverage stores	6,437,433	6,440,322	6,580,377	6,575,817	6,605,795	6,901,517	6,836,300	6,862,217	7,200,000	7,200,000
Automotive dealers	3,997,238	4,157,458	4,122,673	4,367,833	4,775,440	4,926,033	4,843,200	4,796,450	5,100,000	4,798,333
Furniture and appliances	5,336,590	5,376,648	5,285,463	5,176,483	5,836,548	6,105,367	6,210,833	6,377,833	6,516,667	6,000,000
Other retail stores	6,095,245	6,408,673	6,447,917	6,414,917	6,228,017	6,459,733	6,849,317	6,808,683	7,050,000	6,583,333
Agriculture and mining	838,863	930,587	934,048	906,617	1,178,700	972,767	858,350	991,000	1,133,333	1,035,000
Construction	2,953,357	3,203,795	3,175,267	3,270,033	3,590,792	4,553,317	4,710,583	4,685,267	4,966,667	4,856,667
Service	43,579,387	43,694,423	45,039,627	46,338,883	47,927,008	49,470,517	51,073,967	53,224,817	57,066,667	54,090,000
Transportation, delivery, and warehousing	371,315	420,053	472,217	490,583	518,767	562,800	525,000	597,467	650,000	886,667
Government	411,452	362,387	305,027	342,117	281,192	295,717	305,767	328,633	350,000	286,667
Unclassified	1,254,633	1,042,267	1,132,720	1,194,517	755,647	1,417,100	1,607,417	1,684,550	1,050,000	2,205,000
Motor vehicle	17,714,378	19,343,573	19,459,690	20,626,333	22,103,607	22,453,967	22,779,633	23,211,650	24,733,333	22,750,000
Liquor sales	1,950,641	2,064,488	2,153,927	2,219,167	2,311,442	2,268,800	2,356,700	2,424,133	2,500,000	2,408,333
Total sales tax estimated base (4)	\$ 143,170,287	\$ 146,204,439	\$ 148,228,562	\$ 152,160,366	\$ 158,218,450	\$ 163,253,152	\$ 166,740,951	\$ 173,022,717	\$ 184,950,001	\$ 180,298,334
Total direct sales tax rate	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %

Sources:

Sales tax remittances by industry and total direct sales tax rate (both used in the calculation of estimated taxable sales by industry) are provided by the Pennsylvania Department of Revenue. Sales tax remittances by industry for the 2020 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-April 2021 (Fiscal Year 2019-20). The total direct sales tax rate was obtained from the Pennsylvania Tax Compendium for April 2021. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.pa.gov.

Notes:

- (1) Estimated taxable sales are calculated based on sales tax remittances (made by vendors with their tax returns processed during the fiscal year) divided by the direct sales tax rate of 6%.
- (2) Estimated taxable sales are organized by major industrial activity of the vendor and do not represent sales by product type. These are presented based on the North American Industry Classification System.
- (3) Due to the complexity and length of the tax return filing and review process, the total compilation of sales tax remittances was not yet available for release by the Pennsylvania Department of Revenue for the 2021 fiscal year. Therefore, fiscal years 2011 through 2020 are presented as an alternative comparison.
- (4) Totals may not foot due to rounding.

Commonwealth of Pennsylvania

Revenue Capacity-Sales Tax

Table 8

Sales Tax Remittance by Major Industry Classification

Fiscal Years Ended June 30, 2011 and June 30, 2020

(Amounts in thousands)

June 30, 2011 (1)(2)			June 30, 2020 (1)(2)		
Industry (4)	Sales (3) Tax Remittances Liability	Percentage of Total	Industry (4)	Sales (3) Tax Remittances Liability	Percentage of Total
Manufacturing	\$ 430,935	5.02 %	Manufacturing	\$ 437,700	4.05 %
Public utilities	300,132	3.49 %	Public utilities	251,700	2.33 %
Wholesale trade	695,420	8.10 %	Wholesale trade	964,500	8.92 %
Building materials	522,862	6.09 %	Building materials	690,700	6.38 %
General merchandise	1,184,437	13.79 %	General merchandise	1,687,300	15.60 %
Food and beverage stores	386,246	4.50 %	Food and beverage stores	432,000	3.99 %
Automotive dealers	239,834	2.79 %	Automotive dealers	287,900	2.66 %
Furniture and appliances	320,195	3.73 %	Furniture and appliances	360,000	3.33 %
Other retail stores	365,715	4.26 %	Other retail stores	395,000	3.65 %
Agriculture and mining	50,332	0.59 %	Agriculture and mining	62,100	0.57 %
Construction	177,201	2.06 %	Construction	291,400	2.69 %
Service	2,614,763	30.44 %	Service	3,245,400	30.00 %
Transportation, delivery, and warehousing	22,279	0.26 %	Transportation, delivery, and warehousing	53,200	0.49 %
Government	24,687	0.29 %	Government	17,200	0.16 %
Unclassified	75,278	0.88 %	Unclassified	132,300	1.22 %
Motor vehicle	1,062,863	12.37 %	Motor vehicle	1,365,000	12.62 %
Liquor sales	117,038	1.36 %	Liquor sales	144,500	1.34 %
Total (5)	<u>\$ 8,590,217</u>	100.00 %	Total (5)	<u>\$ 10,817,900</u>	100.00 %
Sales Tax Licenses (6)	234,152		Sales Tax Licenses (6)	222,477	

Sources:

Sales tax remittances by industry and the number of sales tax licenses are provided by the Pennsylvania Department of Revenue. Sales tax remittances by industry for the 2020 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-April 2021 (Fiscal Year 2019-20). This publication was obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.pa.gov.

Notes:

- (1) Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth cannot disclose the names of the ten largest sales tax filers. Therefore, this schedule is presented as an alternative comparison regarding the sources of the Commonwealth's sales tax revenue.
- (2) Due to the complexity and length of the tax return filing and review process, the total compilation of sales tax remittances was not yet available for release by the Pennsylvania Department of Revenue for the 2021 fiscal year. Therefore, fiscal years 2011 and 2020 are presented as an alternative comparison.
- (3) Sales tax liability is based on sales tax remittances made with tax returns processed during the fiscal year. The direct sales tax rate applicable to both years is 6%.
- (4) Sales tax remittances are organized by major industrial activity of the vendor and does not represent sales by product type. Both years are presented using the North American Industry Classification System (N.A.I.C.S.) Group.
- (5) Totals may not foot due to rounding.
- (6) The Commonwealth does not maintain a list of sales tax filers by the N.A.I.C.S. standard industry grouping, and as noted in Note (1), cannot disclose the names of the ten largest sales tax filers. Therefore, the number of sales tax licenses is presented to indicate the potential number of filers during the applicable fiscal year.

Commonwealth of Pennsylvania
Revenue Capacity- Corporate Tax
Table 9
Corporate Net Income Tax
For the Last Ten Tax Years

	2009	2010	2011	2012	2013	2014	2015	2016 (6) (7)	2017 (6)	2018 (6)
ESTIMATED CORPORATE NET INCOME TAXABLE BASE (1)(2)										
Corporate Tax Report Compilation (amounts in thousands)	\$ 17,631,632	\$ 19,219,761	\$ 18,084,820	\$ 23,948,802	\$ 24,837,562	\$ 27,160,802	\$ 25,454,707	\$ 25,957,854	\$ 25,657,765	\$ 32,464,072
NUMBER OF FILERS BY CORPORATE NET INCOME TAX LIABILITY RANGE (3)										
\$0	77,698	72,996	85,406	86,259	88,486	92,816	94,228	79,863	56,424	51,954
\$1-300	6,978	7,133	6,959	7,029	6,481	6,199	6,214	6,204	9,531	9,156
\$301-500	1,925	1,980	1,932	1,939	1,750	1,797	1,805	1,773	2,647	2,566
\$501-1,000	2,868	2,950	2,963	3,046	2,852	2,796	2,889	2,743	4,175	3,914
\$1,001-5,000	7,051	7,202	6,964	7,528	7,213	7,417	7,344	7,336	9,937	9,910
\$5,001-10,000	2,490	2,566	2,655	2,829	2,786	2,849	2,860	2,848	3,610	3,654
\$10,001-25,000	2,338	2,440	2,445	2,744	2,713	2,970	2,930	2,919	3,694	4,158
\$25,001-50,000	1,291	1,429	1,387	1,559	1,620	1,781	1,770	1,708	2,132	2,436
\$50,001-100,000	1,020	1,082	1,138	1,228	1,262	1,373	1,380	1,366	1,654	1,877
\$100,001-250,000	865	956	1,030	1,225	1,207	1,241	1,246	1,293	1,454	1,731
\$250,001-500,000	448	448	450	561	538	582	607	575	642	803
\$500,001-1,000,000	279	297	307	379	344	377	355	348	430	480
>\$1,000,000	267	289	273	418	429	462	441	437	407	522
Total corporate net income tax filers (4)(5)	105,518	101,768	113,909	116,744	117,681	122,660	124,069	109,413	96,737	93,161
Total direct corporate net income tax rate	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%

Sources:

Information provided by the Pennsylvania Department of Revenue. The direct corporate net income tax rate was obtained from the Pennsylvania Tax Compendium for April 2021. This publication was obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.pa.gov.

Notes:

- (1) Pennsylvania is one of only a few states that levy a tax on corporate net income (corporate net income tax - CNIT). This table presents the positive corporate net income tax base, as well as the number of filers associated with this tax by liability range. It also presents the statutory corporate net income tax rate.
- (2) The CNIT is based on separate company federal taxable income and includes a number of additions to/subtractions from that base. This table shows the compilation of all reported taxable income (federal income adjusted to the PA base and then apportioned). Many corporations report negative federal taxable income. In addition, the net operating loss deductions that Pennsylvania allows reduce otherwise profitable corporations' incomes below \$0.
- (3) Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth cannot disclose the names of the ten largest corporate net income tax filers. Therefore, the schedule of the number of filers by corporate net income tax liability range is presented as an alternative comparison regarding the sources of the Commonwealth's corporate net income tax revenue. Those filers that report negative state taxable income are reported in the tax liability range of \$0, which accounts for the large number of filers within that range.
- (4) Due to the complexity and length of the tax return filing and review process, the total compilation of corporate net income subject to the direct corporate tax rate was not yet available for release by the Pennsylvania Department of Revenue for the 2019 and 2020 tax years. Therefore, tax years 2009 through 2018 are presented as an alternative comparison.
- (5) The corporate filer's tax year is defined as that period for which it must file a tax return. Though some filers have the last day of their filing year fall on December 31st, many filers have a filing year that falls on a different date (e.g. March 31st). This table presents information based on all filers whose tax year began during the associated calendar years.
- (6) For tax years 2009 through 2016, the amounts presented are actual. The amounts presented for the 2016 tax year may differ from the amounts presented in the same table in the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the June 30, 2020 fiscal year, since that amount was an estimate. For the 2017 tax year, the amounts presented are a revised estimate from what was presented in the June 30, 2020 ACFR. And for the 2018 tax year, the amounts presented are an estimate.
- (7) The total number of filers in the preliminary estimate for the 2016 tax year decreased by over 17,000 compared to the 2015 tax year. In prior tax years, an entity filing both CSFT and CNIT was considered a C Corporation unless explicitly noted otherwise. For this reason, some non-C corporations that did not completely fill out returns were erroneously considered CNIT filers. With the elimination of the capital stock/foreign franchise tax in the 2016 tax year, these entities stopped filing returns, explaining the drop in the number of C corporations.

Commonwealth of Pennsylvania

Debt Capacity

Table 10

Outstanding Debt and Outstanding Debt Ratios
For the Last Ten Fiscal Years Ended June 30

(Expressed in Thousands, Except Debt per Capita)

PRIMARY GOVERNMENT (1)(2)(3)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities:										
General obligation bonds	\$ 11,538,799	\$ 11,821,622	\$ 12,674,929	\$ 12,976,531	\$ 12,517,909	\$ 12,966,490	\$ 13,415,631	\$ 12,490,765	\$ 11,497,176	\$ 11,693,268
Leases/installment purchase liabilities (6)	129,757	125,020	117,961	110,208	103,183	100,054	99,259	96,725	95,226	1,021,798
Other financing obligations	334,230	324,860	315,620	285,740	285,740	285,740	502,390	567,052	480,790	536,818
Total governmental	12,002,786	12,271,502	13,108,510	13,372,479	12,906,832	13,352,284	14,017,280	13,154,542	12,073,192	13,251,884
Business-type activities:										
Demand revenue bonds payable	—	300,000	166,635	9,565	—	—	—	—	—	—
Notes payable	—	199	—	—	—	—	—	—	—	—
Revenue bonds payable	—	4,635,760	4,381,432	4,182,896	3,681,734	3,893,393	5,319,824	5,086,362	4,417,523	4,627,322
Leases/installment purchase liabilities (6)	—	—	—	—	—	—	—	—	—	286,037
Total business-type	—	4,935,959	4,548,067	4,192,461	3,681,734	3,893,393	5,319,824	5,086,362	4,417,523	4,913,359
TOTAL PRIMARY GOVERNMENT	\$ 12,002,786	\$ 17,207,461	\$ 17,656,577	\$ 17,564,940	\$ 16,588,566	\$ 17,245,677	\$ 19,337,104	\$ 18,240,904	\$ 16,490,715	\$ 18,165,243
Debt as a Percentage of Personal Income (4)(5)	2.13 %	2.93 %	2.97 %	2.84 %	2.58 %	2.61 %	2.85 %	2.55 %	2.24 %	2.30 %
Amount of Debt per Capita (4)(5)	\$ 942	\$ 1,348	\$ 1,382	\$ 1,373	\$ 1,297	\$ 1,349	\$ 1,511	\$ 1,424	\$ 1,288	\$ 1,421

Source: The Commonwealth's Annual Comprehensive Financial Report (ACFR), as presented for the applicable fiscal year. For fiscal years 2011-2012, the information can be found in the statement of net assets. Beginning with the 2013 fiscal year, the information can be found in the statement of net position.

- Notes:**
- (1) Beginning with the 2013 fiscal year, the Commonwealth implemented GASB Statement No. 61, which affected this table. With the implementation of GASB Statement No. 61, two component units (Commonwealth Financing Authority and Philadelphia Regional Port Authority), previously reported as discretely presented component units, are reported as blended component units and are classified as proprietary fund types. Therefore, their outstanding debt is now reported within the business-type activities caption. In addition, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within the governmental activities caption. These changes have not been retroactively applied to prior fiscal years.
 - (2) Each caption includes the reported current and noncurrent amounts of the outstanding debt.
 - (3) Details on the Commonwealth's total outstanding debt for June 30, 2021 can be found in Note 6 for both governmental activities and business-type activities.
 - (4) See Table 14 for summarized totals for personal income and population data that were used in the calculations of these ratios. Personal income detail is presented in Table 5. As detailed in Table 5 or 14 (as appropriate), the personal income and population data have changed in several calendar years from what was presented in those tables in the ACFR for the June 30, 2020 fiscal year. As a result, the calculated ratios based on the data from those calendar years may differ from what was presented in this table in the June 30, 2020 ACFR.
 - (5) Debt ratios use total outstanding debt which is presented by fiscal year ended June 30, while the personal income and population data used in the calculations are presented by calendar year.
 - (6) Beginning with the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87. Note 18 in the notes to the financial statement provides additional details on this implementation. The primary effect on this table is that beginning with the 2021 fiscal year, additional lease related liabilities are reported within this table. The changes were not made retroactively.

Commonwealth of Pennsylvania

Debt Capacity

Table 11

Ratios of General Obligation Bonded Debt Outstanding

Last Ten Fiscal Years Ended as of June 30

(Amounts in thousands)

Fiscal Year	(1) General Obligation Bonds	(2) Percentage of Actual Tax Revenues	(3) Per Capita
2012	\$ 11,538,799	37.68%	\$ 901
2013	11,821,622	37.20%	923
2014	12,674,929	39.69%	991
2015	12,976,531	37.03%	1,014
2016	12,517,909	35.84%	977
2017	12,966,490	35.93%	1,014
2018	13,415,631	36.19%	1,045
2019	12,490,765	31.67%	975
2020	11,497,176	29.76%	898
2021	11,693,268	26.62%	912

Sources:

Information was obtained from the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the applicable fiscal year. General obligation bonds can be found in the statement of net position, and the tax revenues used in the percentage of actual tax revenues can be found in the statement of activities.

Notes:

(1) General obligation bonds amounts include the reported current and noncurrent amounts.

(2) The Commonwealth's general obligation bonds are expected to be repaid with general tax revenues. Therefore, the total taxes shown in the governmental activities section of the statement of activities are used in this calculation.

(3) General obligation bond amounts used in the per capita calculation are presented as of the fiscal year end. The population data used in the calculation is shown in Table 14, and is as of July 1 of the applicable fiscal year. As detailed in Table 14, the population data has changed in several calendar years from what was presented in that table in the Commonwealth's ACFR for the June 30, 2020 fiscal year. As a result, the calculated ratios based on the data from those calendar years may differ from what was presented in this table in the June 30, 2020 ACFR.

Commonwealth of Pennsylvania

Debt Capacity

Table 12

Computation of Legal Debt Margin

As of August 31 for the Last Ten Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Average annual tax revenues deposited in the previous five fiscal years	\$33,742,407,887	\$34,173,780,183	\$35,048,322,844	\$36,290,613,411	\$37,326,634,317	\$38,281,016,071	\$39,318,865,371	\$40,738,613,073	\$41,212,144,284	\$43,007,553,352
Constitutional factor	x 1.75	x 1.75	x 1.75	x 1.75	x 1.75	x 1.75	x 1.75	x 1.75	x 1.75	x 1.75
Constitutional debt limit for debt incurred without the approval of the electors (A)	59,049,213,802	59,804,115,320	61,334,564,977	63,508,573,469	65,321,610,054	66,991,778,124	68,808,014,400	71,292,572,878	72,121,252,497	75,263,218,366
Less outstanding net debt (non-electorate approved)	9,194,240,832	9,331,058,456	9,960,500,105	10,640,300,242	11,423,804,500	10,590,276,500	10,999,114,101	10,222,540,310	9,571,847,906	9,732,967,835
Legal debt margin (B)	\$49,854,972,970	\$50,473,058,864	\$51,374,064,872	\$52,868,273,227	\$53,897,805,554	\$56,401,501,624	\$57,808,900,299	\$61,070,032,568	\$62,549,404,591	\$65,530,250,531
Total outstanding net debt applicable to the constitutional limit as a percentage of the constitutional limit	15.57 %	15.60 %	16.24 %	16.75 %	17.49 %	15.81 %	15.99 %	14.34 %	13.27 %	12.93 %

Source: The Governor's Budget Office

Notes:

(A) The formula for the legal debt limit is contained in Article VIII, Section 7(a) of the Pennsylvania Constitution, which provides:

No debt shall be incurred by or on behalf of the Commonwealth except by law and in accordance with the provisions of this section.

(1) Debt may be incurred without limit to suppress insurrection, rehabilitate areas affected by man-made or natural disaster, or to implement unissued authority by the electors prior to the adoption of this article.

(2) The Governor, State Treasurer and Auditor General, acting jointly, may (i) issue tax anticipation notes having a maturity within the fiscal year of issue and payable exclusively from revenues received in the same fiscal year, and (ii) incur debt for the purpose of refunding other debt, if such refunding debt matures within the term of the original debt.

(3) Debt may be incurred without limit for purposes specifically itemized in the law authorizing such debt, if the question whether the debt shall be incurred has been submitted to the electors and approved by a majority of those voting on the question.

(4) Debt may be incurred without the approval of the electors for capital projects specifically itemized in a capital budget if such debt will not cause the amount of all net debt outstanding to exceed one and three-quarters times the average of the annual tax revenues deposited in the previous five fiscal years as certified by the Auditor General. For the purposes of this subsection, debt outstanding shall not include debt incurred under clauses (1) and (2)(i), or debt incurred under clause (2)(ii) if the original debt would not be so considered, or debt incurred under subsection (3) unless the General Assembly shall so provide in the law authorizing such debt.

(B) Each of the above figures used in the calculation of the legal debt margin are abstracted from a certification of the Auditor General dated August 31 of the subsequent fiscal year.

Commonwealth of Pennsylvania
Demographic and Economic
Table 13
Employment by Nonfarm Related Industry
For the Last Ten Calendar Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Employment by nonfarm related industry (1)(2)(3):										
Total nonfarm:										
Private earnings:										
Goods producing:										
Natural resources and mining	33,800	37,100	36,000	37,800	34,000	25,000	26,700	28,700	28,900	23,000
Construction	221,600	224,300	223,900	229,000	235,400	239,100	249,000	255,700	261,000	241,200
Manufacturing	565,900	568,100	565,500	568,500	568,900	560,700	562,800	570,800	574,700	537,700
Total goods producing	821,300	829,500	825,400	835,300	838,300	824,800	838,500	855,200	864,600	801,900
Service providing:										
Trade	1,084,900	1,093,300	1,094,900	1,105,000	1,116,600	1,121,200	1,120,600	1,126,800	1,126,900	1,064,000
Information	91,300	90,600	88,000	85,600	85,200	84,700	84,500	86,300	87,500	82,600
Financial Activities	308,700	309,500	313,300	315,400	316,300	317,300	321,100	325,900	330,800	325,400
Professional and business services	719,500	736,100	751,000	764,600	782,600	796,600	801,800	805,800	813,400	760,300
Education and health services	1,144,100	1,156,400	1,163,000	1,180,600	1,192,100	1,218,600	1,245,500	1,274,500	1,296,600	1,236,800
Leisure and hospitality	511,300	524,200	532,200	537,600	545,300	557,400	566,700	571,800	577,900	423,700
Other services	253,400	254,200	252,100	253,200	254,400	259,100	259,300	260,400	261,900	223,000
Total service providing	4,113,200	4,164,300	4,194,500	4,242,000	4,292,500	4,354,900	4,399,500	4,451,500	4,495,000	4,115,800
Total private earnings	4,934,500	4,993,800	5,019,900	5,077,300	5,130,800	5,179,700	5,238,000	5,306,700	5,359,600	4,917,700
Government	751,400	732,300	720,700	711,400	704,700	703,300	703,200	703,100	706,300	685,000
Total nonfarm	5,685,900	5,726,100	5,740,600	5,788,700	5,835,500	5,883,000	5,941,200	6,009,800	6,065,900	5,602,700

Source: Information obtained from the Pennsylvania Department of Labor and Industry-Center for Workforce Information & Analysis website (www.paworkstats.pa.gov).

- Notes:**
- (1) Due to statutory requirements (confidentiality provisions), the Commonwealth cannot disclose the number employed by the ten largest employers. As an alternative comparison, this schedule presents the number employed by nonfarm related industries. The ten largest employers are nonfarm related; therefore, the number employed by those employers could be expected to fall within this schedule. Farming related employment is not included on this schedule because most farms are not large enough to be required to provide the necessary data to the Pennsylvania Department of Labor and Industry.
 - (2) Various calendar years may differ from the totals presented in the same table in the June 30, 2020 ACFR, as a result of revised data provided on the Center for Workforce Information & Analysis website.
 - (3) Totals may not foot due to rounding.

Commonwealth of Pennsylvania
Demographic and Economic

Table 14

Population and Per Capita Personal Income
For the Last Ten Calendar Years

Calendar Year	Population (1) (Expressed in thousands)			Personal Income (2) (Expressed in millions)			Per Capita (3) Personal Income			Pennsylvania rate percentage above/(below) U.S.
	Pennsylvania	United States	Pennsylvania as % of U.S.	Pennsylvania	United States	Pennsylvania as % of U.S.	Pennsylvania	United States		
2011	12,747	311,583	4.09 %	\$ 564,695	\$ 13,330,436	4.24 %	\$ 44,300	\$ 42,783	3.55 %	
2012	12,769	313,878	4.07 %	587,666	14,003,346	4.20 %	46,022	44,614	3.16 %	
2013	12,780	316,060	4.04 %	593,682	14,189,228	4.18 %	46,456	44,894	3.48 %	
2014	12,792	318,386	4.02 %	619,079	14,969,527	4.14 %	48,394	47,017	2.93 %	
2015	12,790	320,739	3.99 %	643,988	15,681,233	4.11 %	50,352	48,891	2.99 %	
2016	12,788	323,072	3.96 %	661,160	16,092,713	4.11 %	51,700	49,812	3.79 %	
2017	12,795	325,122	3.94 %	679,620	16,845,028	4.03 %	53,117	51,811	2.52 %	
2018	12,809	326,838	3.92 %	716,337	17,681,159	4.05 %	55,924	54,098	3.38 %	
2019	12,799	328,330	3.90 %	737,161	18,402,004	4.01 %	57,596	56,047	2.76 %	
2020	12,783	329,484	3.88 %	788,725	19,607,447	4.02 %	61,700	59,510	3.68 %	

Sources: Population data is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce website at <http://www.bea.gov/index.htm>, whose source is the U.S. Bureau of Census' mid-year population estimate. Personal income details can be found in Table 5.

Notes:

- (1) Population data is presented as of July 1 of the calendar year. The U.S. Bureau of Census' mid-year population estimate include revisions to the annual population estimate back to the calendar year of the most recent Census (2010 calendar year). Therefore, the totals shown may differ from what was presented in the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the June 30, 2020 fiscal year.
- (2) Personal income data is provided as of the calendar year. Various calendar years differ from the totals presented in the June 30, 2020 ACFR. See Table 5 for details.
- (3) As a result of changes noted in Notes (1) and (2), the Per Capita Personal Income may differ from what was presented in the June 30, 2020 ACFR.

Commonwealth of Pennsylvania
Demographic and Economic

Table 15

Employment Information
For the Last Ten Calendar Years

Calendar Year	Pennsylvania (1)				United States				Pennsylvania rate percentage above/(below) U.S.
	Civilian Labor Force	Employed	Unemployed	Unemployment Rate	Civilian Labor Force	Employed	Unemployed	Unemployment Rate	
2011	6,382	5,887	495	7.8 %	153,617	139,869	13,747	8.9 %	(12.36)%
2012	6,449	5,955	494	7.7 %	154,975	142,469	12,506	8.1 %	(4.94)%
2013	6,420	5,962	458	7.1 %	155,389	143,929	11,460	7.4 %	(4.05)%
2014	6,389	6,010	379	5.9 %	155,922	146,305	9,617	6.2 %	(4.84)%
2015	6,423	6,076	347	5.4 %	157,130	148,834	8,296	5.3 %	1.89 %
2016	6,459	6,115	344	5.3 %	159,187	151,436	7,751	4.9 %	8.16 %
2017	6,422	6,102	320	5.0 %	160,320	153,337	6,982	4.4 %	13.64 %
2018	6,432	6,146	286	4.4 %	162,075	155,761	6,314	3.9 %	12.82 %
2019	6,497	6,207	290	4.5 %	163,539	157,538	6,001	3.7 %	21.62 %
2020	6,388	5,808	580	9.1 %	160,742	147,795	12,948	8.1 %	12.35 %

Sources: Information was obtained from the Center for Workforce Information & Analysis, Pennsylvania Department of Labor and Industry website at www.paworkstats.geosolinc.com.

Notes:

- (1) Various calendar years may differ from the totals presented in the same table in the June 30, 2020 ACFR, as a result of revised data provided on the Center for Workforce Information & Analysis website.

Commonwealth of Pennsylvania

Operating Information

Table 16

Commonwealth Employees by Function and Agency

For the Last Ten Calendar Years Ended June 30

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Direction and supportive services										
Legislative	2,844	2,784	2,749	2,716	2,596	2,583	2,564	2,701	2,509	2,522
Revenue	1,934	1,883	1,867	1,902	1,869	1,880	1,856	1,651	1,670	1,571
Executive Offices	1,715	1,612	1,554	1,496	1,429	1,441	1,460	2,900	2,834	2,687
General Services	1,030	993	950	926	863	866	834	835	829	817
Auditor General	598	475	475	472	463	469	448	454	384	373
Treasurer	396	386	373	353	345	357	373	371	362	337
Other	273	268	256	248	239	230	1,549	118	329	320
Total direction and supportive services	8,790	8,401	8,224	8,113	7,804	7,826	9,084	9,030	8,917	8,627
Protection of persons and property										
Corrections	15,751	15,398	15,177	15,197	15,340	15,374	15,367	16,693	16,320	16,098
State Police	5,978	5,938	6,139	6,344	6,372	6,210	6,079	6,280	6,360	6,281
Liquor Control Board	4,952	5,007	5,086	5,093	5,166	5,424	5,358	5,350	5,363	5,592
Environmental Protection	2,648	2,616	2,522	2,491	2,412	2,411	2,319	2,305	2,350	2,290
Judiciary	2,176	2,150	2,171	2,160	2,179	2,178	2,090	2,072	2,028	2,008
Transportation	1,194	1,191	1,188	1,189	1,193	1,174	1,167	1,282	1,268	1,342
Probation and Parole Board	1,162	1,199	1,217	1,228	1,267	1,268	1,285	—	—	—
Agriculture	919	952	914	921	884	868	843	859	849	823
Attorney General	821	810	836	840	836	859	857	934	951	948
Military and Veterans Affairs	468	467	486	474	486	500	490	483	509	509
State	490	492	489	485	479	492	484	516	505	511
Other	1,923	1,844	1,827	1,782	1,729	1,713	1,692	1,710	1,719	1,735
Total protection of persons and property	38,482	38,064	38,052	38,204	38,343	38,471	38,031	38,484	38,222	38,137
Public education										
Education	521	514	499	488	474	475	438	448	453	449
Total public education	521	514	499	488	474	475	438	448	453	449
Health and human services										
Human Services	16,995	16,504	16,643	16,829	17,164	16,914	16,064	16,013	15,971	15,501
Labor and Industry	4,599	4,140	4,037	3,785	3,674	3,108	2,837	2,908	3,253	3,336
Military and Veterans Affairs	2,023	1,924	1,961	1,949	1,959	1,923	1,925	1,884	1,952	1,939
Health	1,461	1,331	1,281	1,236	1,249	1,282	1,117	1,134	1,164	1,265
Other	220	252	284	301	290	279	277	263	278	253
Total health and human services	25,298	24,151	24,206	24,100	24,336	23,506	22,220	22,202	22,618	22,294
Economic development										
Labor and Industry	942	919	897	903	908	910	867	864	818	780
Community and Economic Development	302	321	313	307	299	298	283	288	290	278
Total economic development	1,244	1,240	1,210	1,210	1,207	1,208	1,150	1,152	1,108	1,058

Commonwealth of Pennsylvania

Operating Information

Table 16

Commonwealth Employees by Function and Agency

For the Last Ten Calendar Years Ended June 30

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Transportation										
Transportation	10,696	10,695	10,609	10,480	10,490	10,522	10,230	10,551	10,406	10,401
Total transportation	10,696	10,695	10,609	10,480	10,490	10,522	10,230	10,551	10,406	10,401
Recreation and cultural enrichment										
Conservation and Natural Resources	2,335	2,392	2,407	2,425	2,387	2,396	2,278	2,245	2,216	2,194
Game Commission	774	769	797	781	725	683	705	696	728	753
Fish and Boat Commission	481	448	433	416	432	426	409	402	403	435
Historical and Museum Commission	231	214	222	218	205	205	201	198	195	182
Other	51	43	41	42	41	40	40	43	45	40
Total recreation and cultural enrichment	3,872	3,866	3,900	3,882	3,790	3,750	3,633	3,584	3,587	3,604
Total Commonwealth Employees	88,903	86,931	86,700	86,477	86,444	85,758	84,786	85,451	85,311	84,570

Source: Employees for the Legislature, Judiciary, Auditor General, Treasury and Attorney General were provided by the individual agency. All other agencies fall within the Governor's jurisdiction and were provided by the Office of Administration.

Commonwealth of Pennsylvania

Operating Information

Table 17

Operating Indicators by Function and Agency

For the Last Ten Years Ended June 30

	2012	2013	2014	2015	2016	2017	2018	2019	2020 (5)	2021 (5)
Direction and supportive services:										
Executive Offices										
Juvenile Court Judges' Commission										
Juveniles arrested for violent crimes (1)	3,742	3,348	2,965	2,669	2,609	2,840	2,400	2,471	1,568	1,599
Protection of persons and property:										
Attorney General										
Local drug task force arrests	6,198	6,781	7,388	8,472	7,008	7,778	6,294	5,520	3,315	3,500
Consumer complaints concerning business practices investigated and mediated	37,920	34,382	36,473	26,591	20,736	20,230	22,976	25,774	27,327	29,000
Corrections										
Inmates	51,184	51,382	51,118	50,366	49,913	48,510	48,353	46,482	42,101	41,160
Military and Veterans Affairs										
Pennsylvania National Guard End Strength Ceiling	19,244	19,301	19,708	19,969	19,699	19,615	18,919	18,330	17,926	18,495
Personnel receiving training at Fort Indiantown Gap	122,846	126,427	136,801	126,722	124,264	120,208	163,494	151,716	121,980	165,143
Revenue										
Households provided property tax or rent assistance (2)	603,726	598,075	569,135	580,729	567,280	559,025	547,994	531,995	828,226	149,570
Judiciary										
Caseload (cases filed/reopened/appeals) (1)	3,614,627	3,514,214	3,495,265	3,299,021	3,273,085	3,134,994	3,290,613	3,196,261	3,184,937	2,202,914
Public education:										
Higher Education										
Full-Time Equivalent Enrollments at State-Supported Institutions of Higher Education:										
State System of Higher Education	109,738	107,012	104,458	102,322	99,870	97,477	94,243	90,224	87,802	85,918
Community Colleges	103,971	97,981	94,051	89,807	86,185	81,941	80,270	76,596	75,898	65,666
State-Related Universities	156,517	160,589	161,442	164,075	165,654	170,461	171,295	168,875	159,029	155,912
Non-State Related Universities and Colleges	809	806	858	842	865	1,040	1,122	1,350	1,467	1,380
Health and human services:										
Aging and Long-Term Living										
Comprehensive PACE/PACENET Program:										
Older Pennsylvanians enrolled (average)	298,137	288,645	275,390	268,805	256,622	245,231	233,006	228,988	224,683	221,275
Prescriptions per year	10,288,430	9,739,080	9,040,508	8,381,953	7,565,493	6,775,596	6,248,623	5,524,599	4,828,439	4,935,236
Health										
Vital events (births, deaths, fetal deaths) registered (1)	273,522	272,054	271,697	269,203	272,623	273,888	275,255	270,096	286,805	272,558
Human Services										
Persons participating in Medical Assistance (monthly average)	2,225,011	2,123,710	2,147,889	2,354,542	2,716,782	2,852,697	2,907,652	2,886,140	2,882,000	3,192,000
Persons receiving cash assistance (monthly average)	248,298	180,235	165,794	160,490	143,765	126,283	111,594	97,310	88,068	73,202
Community Mental Health Services										
Total persons provided mental health services	655,577	720,079	696,834	735,002	765,867	774,303	798,265	810,396	828,963	844,091
Persons receiving Intellectual Disability services	53,569	53,613	53,648	54,075	54,675	55,172	55,667	56,366	56,961	59,096
Economic development:										
Labor and Industry										
Total occupational and industrial inspections performed	87,913	81,718	82,800	74,778	67,600	79,478	78,754	73,944	76,791	80,473
Vocational Rehabilitation-Eligible participants with active plans	45,471	52,354	52,000	52,500	41,579	39,771	49,495	53,074	42,391	37,000
Transportation:										
Transportation										
Miles of State maintained highways (3)	39,797	39,792	39,760	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Passengers carried by State-assisted operators (millions annually)	441	435	430	426	426	404	397	387	299	180

Commonwealth of Pennsylvania

Operating Information

Table 17

Operating Indicators by Function and Agency

For the Last Ten Years Ended June 30

	2012	2013	2014	2015	2016	2017	2018	2019	2020 (5)	2021 (5)
Highway and Bridge Construction/Reconstruction/Maintenance										
Total miles of state maintained highways improved	5,976	4,956	3,954	5,060	5,291	5,305	6,156	5,185	6,141	6,071
Bridges rehabilitated/repaired	315	291	220	253	415	556	402	171	181	261
Bridges preserved	230	193	209	265	216	248	229	181	191	314
Recreation and cultural enrichment:										
Conservation and Natural Resources										
State park attendance (visitor days per calendar year / thousands annually)	37,600	36,400	38,000	37,900	40,500	40,200	38,100	43,600	48,600	55,800
Fish and Boat Commission										
Fishing licenses sold	876,233	852,944	859,863	841,419	837,324	841,743	800,248	765,983	777,087	932,504
Game Commission										
Hunting licenses sold	931,060	925,000	952,989	943,836	935,767	914,244	885,564	855,546	860,798	886,621
Historical and Museum Commission										
Records maintained by the State Records Center	239,772	239,002	257,444	266,853	265,521	237,492	237,370	236,972	233,914	240,000
Annual ticketed visitors to commission historical sites and museums (in thousands) (4) ...	250	260	327	384	377	332	347	316	226	12

Sources: Governor's Office of the Budget, Comptroller Offices, various agencies

Notes:

(1) Amounts are presented as of December 31.

(2) Property Tax and Rent Assistance rebate payments for claim year 2019 were accelerated from fiscal year 2020-21 into fiscal year 2019-20 in order to assist households during the COVID-19 pandemic.

(3) Beginning with the 2015 fiscal year this figure is a rounded estimate.

(4) Annual ticketed visitors to commission historical sites and museums decreased significantly in the 2019-20 and 2020-21 fiscal years due to the COVID-19 pandemic.

(5) For the latest fiscal year, a majority of the indicators presented are estimates. For the immediately previous fiscal year, the amounts that were presented as estimates in the Commonwealth's ACFR for the June 30, 2020 fiscal year have been revised. Therefore, the amounts shown may differ from what was presented in the June 30, 2020 ACFR.

Commonwealth of Pennsylvania

Operating Information

Table 18

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
GOVERNMENTAL ACTIVITIES										
Direction and supportive services:										
Department of General Services										
Number of buildings	116	116	115	115	115	115	115	115	114	114
Total pieces of machinery and equipment	155	134	141	147	138	144	156	187	152	155
Capital and Agency projects in design and/or construction (1)	764	799	767	647	315	258	231	281	293	310
Vehicles in fleet	15,821	14,704	14,542	14,253	14,555	14,674	14,981	15,138	15,375	15,665
Protection of persons and property:										
Department of Corrections										
State Correctional Institutions (2)	27	26	26	26	26	25	25	25	25	25
State Police										
Patrol vehicles	2,182	2,182	2,182	2,182	2,182	2,197	2,282	2,282	2,282	2,322
Police stations and/or troop headquarters (2)	25	26	26	26	26	26	26	26	26	26
Department of Military and Veterans Affairs										
Number of National Guard readiness centers (3)	171	157	125	121	116	123	122	120	119	116
Public education:										
State System of Higher Education (SSHE)-Component Unit (3)										
	14	14	14	14	14	14	14	14	14	14
Health and human services:										
Department of Human Services										
Total number of hospital or treatment center complexes (2)	17	17	17	17	17	16	16	15	15	15
Transportation:										
Department of Transportation										
Total pieces of equipment	7,792	8,128	8,242	8,388	8,559	8,928	9,344	9,481	9,806	9,884
Total lane miles of highways (state or locally maintained) (4)	117,588	117,681	117,760	118,000	118,000	118,000	118,000	118,000	118,000	118,000
Recreational and cultural enrichment:										
Department of Conservation and Natural Resources										
Acres of land in state parks and forests (in millions)	2.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Game Commission										
Acres of game lands (in millions)	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Fish Commission										
Public boat launches	271	271	271	271	271	271	271	277	277	277
Total number of fish hatcheries	15	15	15	15	15	15	15	15	15	14
Historical and Museum Commission										
Museums and historic sites	39	39	37	37	34	30	29	28	28	28
Economic development:										
Department of Labor and Industry										
Square footage of rehabilitation centers owned by the Commonwealth	444,035	469,065	469,065	469,065	469,065	469,065	469,065	469,065	469,065	469,065

Sources: Governor's Office of the Budget, Comptroller Offices and various agencies.

- Notes:
- (1) Beginning with the 2016 fiscal year, only projects that are actively being designed and/or constructed are included.
 - (2) State Correctional Institutions, police station/troop headquarters and hospital/treatment center complexes include nondepreciable capital assets (e.g. land) and depreciable assets (e.g. machinery and equipment, buildings, improvements, etc.).
 - (3) The State System of Higher Education (SSHE) is a discretely presented component unit. However, each of its universities uses land, buildings, and improvements which were purchased by the Commonwealth and are still reported as governmental activities capital assets in the Commonwealth's Statement of Net Position. See Note 1 in the Notes to the Financial Statements for a detailed description of this relationship.
 - (4) Beginning with the 2014 fiscal year, the estimated miles have been rounded to the nearest thousand.



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Appendix

APPENDIX- Legend of Abbreviations

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

ABBREVIATION	DESCRIPTION
ACFR	Annual Comprehensive Financial Report
ACWI	All Country World Index
APSCUF	Association of Pennsylvania State College and University Faculties
ARO	Asset Retirement Obligation
ARPA	American Rescue Plan Act
BFTDA	Ben Franklin Technology Development Authority
BMP	Best Management Practices
BRIA	Bethlehem Revitalization & Improvement Authority
C&R	Compromise and Release
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CDC	Centers For Disease Control
CFA	Commonwealth Financing Authority
CFP	Charitable Food Program
CHC	Community HealthChoices
CIP	Commonwealth Investment Program
COLA	Cost of Living Adjustments
CMO	Collateralized Mortgage Obligation
CNIT	Corporate Net Income Tax
CRIZ	City Revitalization Improvement Zone
CRF	Coronavirus Relief Fund
CTF	Collective Trust Fund
CU	Component Unit
DC	Defined Contributions
DC-CTF	Defined Contributions Collective Trust Funds
DCED	Department of Community and Economic Development
DCP	Deferred Compensation Program
DDAP	Department of Drug and Alcohol Programs
DEP	Department of Environmental Protection
DGS	Department of General Services
DHS	Department of Human Services
DOH	Department of Health
DOR	Department of Revenue
DOT	Department of Transportation
DPCU	Discretely Presented Component Unit
ED	Department of Education
EIO	Education Improvement Organization
EITC	Educational Improvement Tax Credit
EOSTC	Educational Opportunity Scholarship Tax Credit
ESSER	Elementary and Secondary School Emergency Funds
ETF	Exchange-Traded Funds
EZP	Enterprise Zone Program
FFCRA	Families First Coronavirus Response Act
FPUC	Federal Pandemic Unemployment Compensation
FUA	Federal Unemployment Account
GA	General Assistance
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association
GO	General Obligation

APPENDIX- Legend of Abbreviations

GSE	Government Sponsored Enterprise
GSP	Guaranteed Savings Plan
HAF	Homeowner Assistance Fund
HDC	Harristown Development Corporation
HOP	Health Options Program
IFPA	Insurance Fraud Prevention Authority
IBNR	Incurred But Not Reported
IRC	Internal Revenue Code
JCTC	Job Creation Tax Credit
KIZ	Keystone Innovation Zone Program
KOZ	Keystone Opportunity Zone Program
L&I	Department of Labor and Industry
LCB	Liquor Control Board
LIBOR	London Interbank Offered Rate
LOC	Line of Credit
LWA	Lost Wage Assistance Program
MBS	Mortgage-Backed Securities
MCO	Managed Care Organization
Mcare	Medical Care Availability and Reduction of Error Fund
MD&A	Management's Discussion and Analysis
MIRP	Military Installation Remediation Program
MLF	Motor License Fund
MLP	Master Limited Partnership
MOU	Memorandum of Understanding
NAICS	North American Industry Classification System
NAP	Neighborhood Assistance Program
NAV	Net Asset Value
NOL	Net OPEB Liability
NPL	Net Pension Liability
NPP	Neighborhood Partnership Program
NRSRA	Nationally Recognized Statistical Rating Agencies
NRSRO	Nationally Recognized Statistical Rating Organization
NYSE	New York Stock Exchange
OPEB	Other Postemployment Benefits
OSTC	Opportunity Scholarship Tax Credit
PACE	Pharmaceutical Assistance Contract for the Elderly
PCCA	Pennsylvania Convention Center Authority
PEBTF	Pennsylvania Employees Benefit Trust Fund
PEDA	Pennsylvania Energy Development Authority
PEDFA	Pennsylvania Economic Development Financing Authority
PEMA	Pennsylvania Emergency Management Agency
PennDOT	Pennsylvania Department of Transportation
PENNVEST	Pennsylvania Infrastructure Investment Authority
PEUC	Pandemic Emergency Unemployment Compensation
PG	Primary Government
PHEAA	Pennsylvania Higher Education Assistance Agency
PHEFA	Pennsylvania Higher Education Facilities Authority
PHFA	Pennsylvania Housing Finance Agency
PHIEA	Pennsylvania Health Insurance Exchange Authority
PHMC	Pennsylvania Historical and Museum Commission
PIB	Pennsylvania Infrastructure Bank Fund

APPENDIX- Legend of Abbreviations

PIDA	Pennsylvania Industrial Development Authority
PKSO	Pre-Kindergarten Scholarship Organization
PLCB	Pennsylvania Liquor Control Board
PPC	Port of Pittsburgh Commission
PRPA	Pennsylvania Regional Port Authority
PSDC	Philadelphia Shipyard Development Corporation
PSERS	Public School Employees' Retirement System
PTC	Pennsylvania Turnpike Commission
PTRR	Property Tax and Rent Rebate
PUA	Pandemic Unemployment Assistance
PURTA	Public Utility Realty Tax Act
REAP	Resource Enhancement and Protection Tax Credit
REHP	Retired Employees' Health Program
RHRCA	Pennsylvania Rural Health Redesign Center Authority
RPSP	Retired Pennsylvania State Police Program
RRI	Residential Revival Indiana
RSI	Required Supplementary Information
S&P	Standard & Poor's
SCC	State Conservation Commission
SEA	Sports and Exhibition Authority
SERS	State Employees' Retirement System
SLFRF	State and Local Fiscal Recovery Funds
SMA	Separately Managed Accounts
SO	Scholarship Organization
SPP	Special Program Priorities
SPSBA	State Public School Building Authority
SSHE	State System of Higher Education
STIF	Short-Term Investment Fund
STIP	Short-Term Investment Pool
SWIF	State Workers' Insurance Fund
TANF	Temporary Assistance for Needy Families
TRIA	Tamaqua Revitalization & Improvement Authority
TSCT	Thaddeus Stevens College of Technology
UC	Unemployment Compensation
UIT	Unemployment Insurance Trust
USTIF	Underground Storage Tank Indemnification Fund
UTF	Unemployment Compensation Trust Fund
WHO	World Health Organization