



COMMONWEALTH OF PENNSYLVANIA

ANNUAL

**COMPREHENSIVE
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2024

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Commonwealth of Pennsylvania

Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2024

Josh Shapiro, Governor



Prepared By:
Office of the Budget

Uri Monson
Secretary

John Kaschak, CPA
Deputy Secretary for Comptroller Operations

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**Commonwealth of Pennsylvania
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024**

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COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR

Uri Monson
SECRETARY
GOVERNOR'S OFFICE OF THE BUDGET

December 20, 2024

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, 2024. 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, 2024 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 at 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, 2024 Basic Financial Statements, provides an overview of the Commonwealth's financial position and activities thus helping readers understand the Basic Financial Statements. This section immediately follows the auditors' opinion. In addition to the MD&A and Basic Financial Statements, this ACFR includes: budgetary comparison schedules; combining fund financial statements; other supporting schedules; narrative information describing individual funds; and statistical tables presenting financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information as reported over the last ten fiscal years.

PROFILE OF THE GOVERNMENT

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

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

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

The 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, 2024, 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, 2024. It accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in special funds, and it accounts for a significant portion of Commonwealth expenditures. Tax revenues, principally personal and corporate net income and sales and use taxes, constitute approximately 96.5% of the General Fund budgetary basis state revenues.

BUDGET ADOPTION AND LEGAL COMPLIANCE BUDGETARY COMPARISON SCHEDULE

A discussion of the Commonwealth's annual budget process, budgetary compliance, and the legal level of budgetary control are included and discussed in more detail in the 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 the amounts appropriated. Budgetary control is exercised by specific line-item appropriations. The Budgetary Comparison Schedule, included as RSI, provides the original budget, final budget, and actual budgetary results for the fiscal year ended June 30, 2024.

**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>
2024	\$ 6,632	\$ (1,528)
2023 (revised)	8,160	2,614
2022 (revised)	5,546	5,542
2021 (revised)	4	2,719
2020 (revised)	(2,715)	(2,745)

For the fiscal year ended June 30, 2024, General Fund expenditures exceeded revenues by \$1,378. After accounting for the prior year’s remaining surplus, \$737 was transferred to the Budget Stabilization Fund. The budgetary basis results for the fiscal year ended June 30, 2024 include revenue collections totaling \$93,003, less appropriation authorizations totaling \$94,381, plus other net financing sources totaling \$150 that includes the Budget Stabilization Fund transfer. Included in the \$94,381 appropriation authorizations are \$108 of state supplemental appropriations and \$855 of federal supplemental appropriations authorized for the fiscal year ended June 30, 2024 (amounts in millions).

ECONOMIC CONDITION

Pennsylvania boasts a highly diversified economy with a mix of industries. The real gross state product is projected to grow at an annual average of 1.5 percent from 2023 to 2026. Personal income is expected to increase by 4.8 percent, compared with 4.9 percent for the country. Pennsylvania’s annual median household income grew to \$74,900 in 2023 with an anticipated 3.0 percent per annum growth through 2026. Pennsylvania retail sales are expected to moderate to an average annual growth of 1.6 percent through 2026 after experiencing above-average growth in recent years.

As of December 2023, Pennsylvania total non-farm employment was up by 2.5 percent from 2022 levels. As in much of the country, the health care and social services sector contribute the largest share of the gains, led by the ongoing recovery in ambulatory health care services, social services, and nursing and residential care services. The leisure and hospitality sector continues to post gains. Professional, scientific, and technical services will continue to be a bright spot for the state in terms of job growth and economic output gains. High-tech fields such as artificial intelligence, industrial automation, and biosciences will see the most growth, while more traditional fields like legal services will see more moderate gains. The state and local government services sector, including public education, continues to experience weak job growth. It is the only sector where payrolls remain well below pre-pandemic levels, with public sector entities struggling to compete with rapidly rising private-sector wages.

The state’s labor force has not yet recovered to its pre-pandemic peak, although the state has added around 26,000 workers (up 0.4 percent) over the past year. A more robust pace of labor force growth has provided a boost to public-sector hiring in other states and would likely do the same in Pennsylvania. As it stands, the state’s unemployment rate had dropped to the mid-3 percent range by late 2023, compared with the mid-4 percent range in early 2020. The Federal Housing Finance Agency’s Purchase-Only House Price Index in Pennsylvania was 4.8 percent higher than a year earlier in the first quarter of 2023. This was below the national average price appreciation of 5.9 percent over the same period and down from a 9.6 percent gain in the third quarter of 2022. Pennsylvania’s home prices have surged in recent years due to a shortage of homes for sale, but price growth is now decelerating to more typical levels.

After a decade of rapid growth, Pennsylvania’s natural gas production, primarily from the Marcellus Shale, has plateaued since 2021. The state is the nation’s second-largest natural gas producer after Texas, with expanded pipeline capacity allowing production to reach more markets. In 2022, Pennsylvania accounted for 19 percent of marketed U.S. natural gas production. S&P expects the rate of gain to slow in the near future, but remain positive, as the development of additional takeaway capacity via pipeline faces challenges on many fronts. Construction activity related

ECONOMIC CONDITION (continued)

to the state's natural gas industry has cooled after years of completing new wells and building pipelines. Persistently low market prices have slowed well drilling, while the build-out of pipeline infrastructure is mostly complete for now. The ethane cracker plant in Beaver County began operation in November 2022 and is expected to provide an important outlet for natural gas liquids produced in western Pennsylvania.

LONG-TERM FINANCIAL PLANNING

During fiscal year 2023-24, the Commonwealth continued its commitment to redevelop its fiscal strategies to improve the strength of its General Fund, largely by maximizing the use of federal funding opportunities provided through the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA) and remaining funds provided through the American Rescue Plan Act (ARPA), while also continuing to utilize other special funds to meet critical program and administrative needs. In addition, stronger than anticipated General Fund revenue collections provide the ability to continue with an annual deposit into the Commonwealth's budget stabilization reserve fund.

Act 1A of 2024 (General Appropriations) appropriates an additional \$2.8 billion of IIJA and \$1.4 billion in IRA funding.

As the Commonwealth plans for the 2025-26 fiscal year, agencies continue to prioritize sound budget planning. All state agencies continue to think critically about the services they provide, pursuing additional efficiencies without compromising the Commonwealth's core responsibilities to residents.

To mitigate spending growth, the Commonwealth continues to monitor all agency expenditures and accountability of program effectiveness. Hiring and spending are restricted to only those areas that 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 2025-26 Executive Budget request, which will be available on February 4, 2025 via the Office of the Budget's website (www.pa.gov/en/agencies/budget).

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, 2023. This represents the thirty-eighth 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 that 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, 2024 conforms to the GFOA's award criteria.

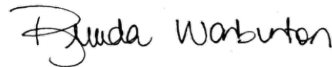
ACKNOWLEDGMENTS

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

Sincerely,



Uri Monson
Secretary
Office of the Budget

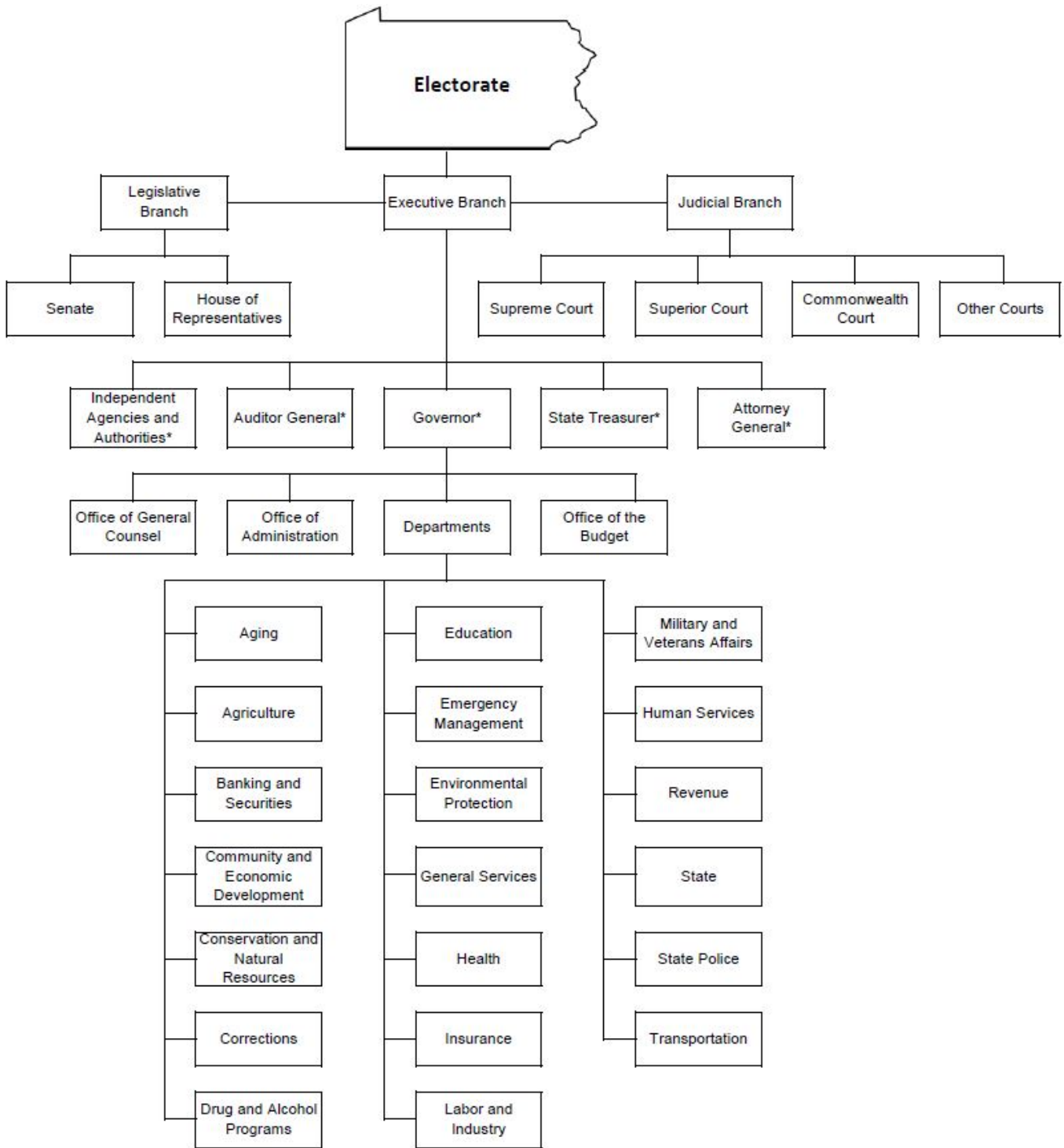


Brenda Warburton
Executive Deputy Secretary
Office of the Budget



John Kaschak, CPA
Deputy Secretary for
Comptroller Operations
Office of the Budget

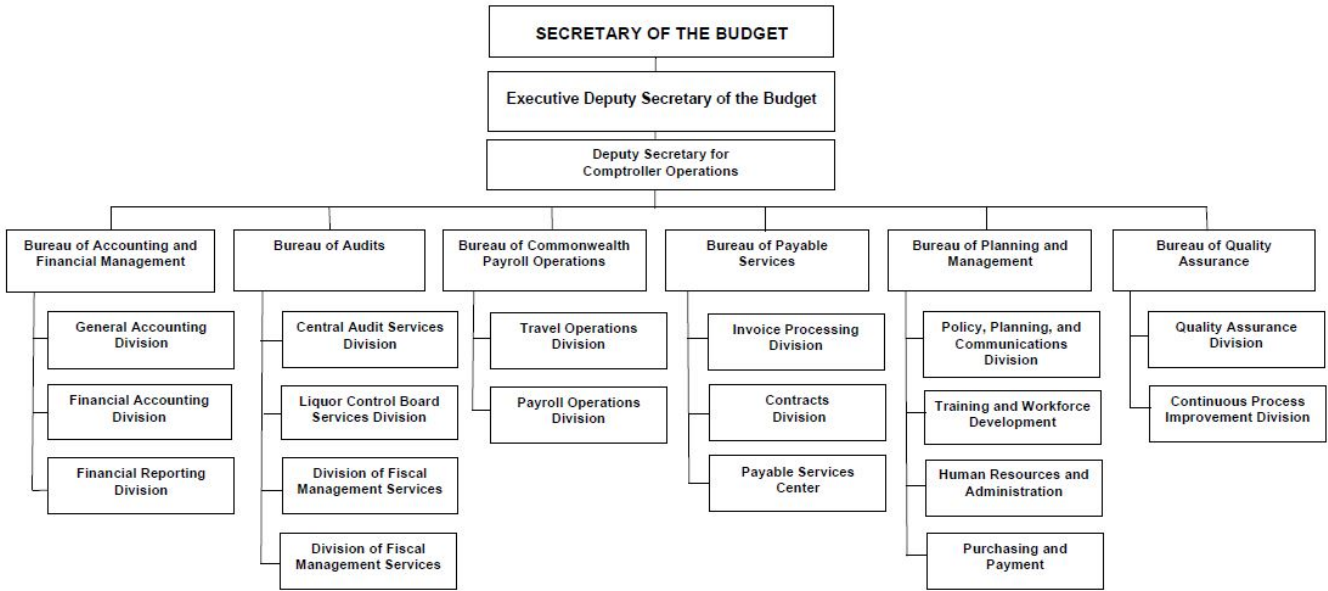
**COMMONWEALTH OF PENNSYLVANIA
ORGANIZATION CHART
June 30, 2024**



*Independently Elected

**OFFICE OF THE BUDGET
OFFICE OF COMPTROLLER OPERATIONS
ORGANIZATION CHART
June 30, 2024**

Office of Comptroller Operations Organizational Chart



Principal Leadership

Commonwealth Elected and Selected Appointed Officials as of June 30, 2024

Josh Shapiro, Governor

Austin Davis, Lieutenant Governor

Stacy Garrity, Treasurer

Timothy DeFoor, Auditor General

Michelle A. Henry, Attorney General

Uri Monson, Secretary of the Budget

Neil Weaver, Secretary of Administration

Kim L. Ward, President pro Tempore, Senate

Joanna E. McClinton, Speaker of the House

Debra Todd, Chief Justice State Supreme Court



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For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

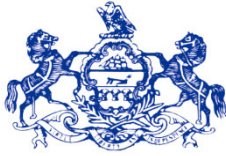
Executive Director/CEO

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

Financial Section



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

INDEPENDENT AUDITORS' REPORT

The Honorable Joshua D. Shapiro, Governor
 Commonwealth of Pennsylvania
 Harrisburg, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Pennsylvania (the Commonwealth), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets / Deferred Outflow of Resources	Revenues / Additions
Business-Type Activities	Tuition Payment Fund; State Stores Fund; Commonwealth Financing Authority; Philadelphia Regional Port Authority	56%	29%
Major Proprietary Fund	Tuition Payment Fund	100%	100%
Major Proprietary Fund	State Stores Fund	100%	100%
Major Proprietary Fund	Commonwealth Financing Authority	100%	100%

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets / Deferred Outflow of Resources	Revenues / Additions
Aggregate Discretely Presented Component Units	Pennsylvania Turnpike Commission; Pennsylvania Housing Finance Agency; Pennsylvania Higher Education Assistance Agency; Pennsylvania Infrastructure Investment Authority; State System of Higher Education; State Public School Building Authority; Philadelphia Shipyard Development Corporation; Port of Pittsburgh Commission; Pennsylvania Convention Center Authority; Thaddeus Stevens College of Technology; Pennsylvania Higher Educational Facilities Authority, Pennsylvania Health Insurance Exchange Authority	98%	99%
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	89%	68%

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commonwealth and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note 16 to the financial statements, effective July 1, 2023, the Commonwealth adopted new accounting guidance for change in accounting principle and financial reporting entity. The guidance requires a change in accounting principle and financial reporting entity to be reported retroactively by restating prior periods. Our opinions were not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commonwealth's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 21 – 46, and the schedules of pension and OPEB amounts, the budgetary comparison schedules, as listed in the table of contents and notes to the required supplementary information on pages 204 – 215, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We and other auditors have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

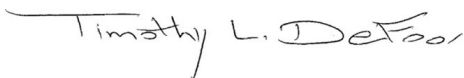
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth's basic financial statements. The combining non-major fund and component unit financial statements, and the budgetary comparison schedules for budgeted non-major special revenue funds, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS by us and other auditors. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

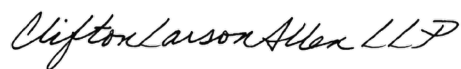
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Harrisburg, Pennsylvania
December 20, 2024



Baltimore, Maryland
December 20, 2024

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

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, 2024 and a comparison to the prior fiscal year. The MD&A should be reviewed in conjunction with the Letter of Transmittal, which begins on page 5 of this report, and with the Commonwealth’s financial statements, which follow.

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Section A: Understanding Government Financial Statements

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

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

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

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

Fund Financial Statements focus on accountability of resources versus 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 of Fiduciary Net Position (6) • Stmt of Changes in Fiduciary Net Position (7)
Measurement Focus and Basis of Accounting	Economic resources measurement focus and accrual basis			Current financial resources measurement focus and modified accrual basis	Economic resources measurement focus and accrual basis	Accrual basis

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

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

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

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

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

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

Section B: Commonwealth's Overall Financial Activity

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

Government-wide Revenues

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

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

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

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

Government-wide Expenses

Governmental Activities:

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

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

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

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

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

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

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

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

Business-Type Activities:

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

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

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

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

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

Liquor control expenses cover all costs associated with the operation and administration of the Liquor Store System and the 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, 2024 and 2023

(Amounts in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Assets:						
Cash and investments	\$ 36,901	\$ 33,962	\$ 8,813	\$ 8,201	\$ 45,714	\$ 42,163
Capital assets (net)	46,049	44,650	1,244	1,154	47,293	45,804
All other assets	13,712	12,125	2,081	2,043	15,793	14,168
Total assets	96,662	90,737	12,138	11,398	108,800	102,135
Total deferred outflows	8,429	10,046	295	376	8,724	10,422
Liabilities:						
Accounts payable	7,334	7,440	1,094	888	8,428	8,328
All other current liabilities	8,948	7,302	1,606	1,941	10,554	9,243
Bonds payable, noncurrent	10,224	9,830	4,011	4,177	14,235	14,007
All other long-term liabilities	37,076	40,654	4,015	4,116	41,091	44,770
Total liabilities	63,582	65,226	10,726	11,122	74,308	76,348
Total deferred inflows	8,163	7,948	446	470	8,609	8,418
Net position:						
Net investment in capital assets	38,957	37,541	989	898	39,946	38,439
Restricted	7,040	6,004	3,398	3,038	10,438	9,042
Unrestricted	(12,651)	(15,936)	(3,126)	(3,754)	(15,777)	(19,690)
Total net position	\$ 33,346	\$ 27,609	\$ 1,261	\$ 182	\$ 34,607	\$ 27,791

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

Cash and investments net increase:

- Governmental Activities total cash and investments increased by \$2,939. The \$7,125 increase in long-term investments was attributed to higher than projected tax revenue collections and favorable market conditions. This resulted in a noticeable shift in funds from the temporary investment pool, which experienced a decrease of \$4,242, to the long-term investment pool. Once again, the Senate approved an additional \$898 transfer into the Budget Stabilization Fund, also known as the Rainy Day Fund.
- Business-Type Activities total cash and investments increased by \$612, primarily due to the CFA experiencing a \$420 increase in cash due to transfers from the Local Share program and an increase in investment earnings. The State Lottery Fund also experienced an increase of \$199. The increase can partially be attributed to higher investment income due to a more favorable stock market but is primarily

due to the timing of payments related to the Property Tax Rent Rebate Program.

Capital assets net increase:

- The \$1,399 increase in Governmental Activities' capital assets was due to noticeable increases in essentially every asset class, with the largest increase of \$1,740 occurring in highway infrastructure. There were 215 highways and 232 resurfacing projects completed. This resulted in increases of \$955 and \$785, respectively, in each of these categories. Bridge infrastructure increased \$745 as a result of approximately 332 bridge-related projects completed. These increases were partially offset by the accumulated depreciation for assets of \$2,669.
- The \$90 increase in Business-Type Activities' capital assets is primarily due to increases in machinery and equipment and right-to-use assets (leases) of \$96 and \$65, respectively. The increase in machinery and

equipment occurred in the State Lottery Fund due to the purchase of 5,355 lottery gaming machines. These increases were partially offset by the accumulated depreciation for assets of \$129.

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

All other assets net increase:

- Governmental Activities increased by \$1,587 overall. The increase is primarily attributable to a \$1,257 increase in payments owed to the Department of Education from the Federal Government for COVID expenditures associated with the Elementary and Secondary School Emergency Relief (ESSER) and Governor's Emergency Education Relief (GEER) programs, which are set to expire in the fall of 2024. The increase is also related to the \$299 increase in taxes receivable for the Department of Revenue. There were increases of \$108 and \$116 in Sales and Use and Inheritance taxes, respectively.
- Business-Type Activities increased \$38, driven mainly by a \$64 increase in the Tuition Payment Fund's investment sale proceeds and offset by a \$42 decrease in unemployment assessments receivable. This was the result of a decrease in the number of delinquent employer accounts and a decrease in contributions attributed to a reduction in taxable wages.

Deferred outflows of resources net decrease:

The total decrease of \$1,698 is caused by the portion of pension and other postemployment benefit (OPEB) plan investment gains (see the other long-term liability increase). The majority of the decrease this year is attributable to the Pennsylvania State Employees' Retirement System's (SERS) investments significantly over performing actuarially determined projections for 2023. Additionally, the decrease is related to the changes in assumptions and the difference between expected and actual experience increased, due to the recognition of prior years' deferred outflows.

- Governmental Activities decreased by \$1,617.
- Business-Type Activities decreased by \$81.

Accounts Payable net increase:

- Governmental Activities decreased by \$106 primarily due to the Department of Human Services experiencing a significant decrease attributable to the timing of medical assistance capitation payments. The creation of the Hospital and Health System Emergency Relief Fund and an increase in the Community and Economic Assistance Fund partially offset the decrease.
- Business-Type Activities increased by \$206. This overall increase is directly related to the expansion of the Property Tax Rent Rebate program, which has seen approximately 107,000 first time filers. This was

partially offset by decreases in UC benefits payable which has gradually been returning to pre-pandemic levels.

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 \$1,646 is mainly attributable to an increase of \$1,505 in the Department of Education's due to political subdivisions for COVID expenses related to the ESSER and GEER programs. Moreover, tax refunds payable increased by \$288 driven by an increase in the number of refunds and higher interest rates in 2023 and 2024 being applied to those refunds. A decrease in unearned revenue of \$75 due the recognition of COVID monies offset a portion of the increases. Further information is provided in the individual fund analysis in Section D.
- Business-Type Activities decrease of \$335 can be attributed to a decrease of \$425 in due to other governments mainly for UC benefit refunds. Also contributing to the decrease is a reduction in securities lending obligations of \$45.

Bonds payable, noncurrent net increase:

- Governmental Activities noncurrent bonds payable increased \$394 as a result of normal debt service activity during the fiscal year, including a bond issuance and retirement of general obligation bonds.
- Business-Type Activities decreased \$166 as a result of normal debt service activity and bond refunding by the Commonwealth Financing Authority.

All other long-term liabilities net decrease: (Liabilities reported in this category are due in periods beyond twelve months from the close of the fiscal year and will be repaid with future resources. Reported items include compensated absences, self-insurance, net pension liabilities, OPEB liabilities, and other long-term liabilities.) The total decrease of \$3,679 is largely due to gains in the pension and OPEB plans. The OPEB liabilities decreased by \$2,287 as a result of the increased discount rate from 4.67% to 5.65%, and an experience gain caused by decreases to per capita claims costs and the \$0 premium rate guarantee in 2025 and 2026 for the Aetna Medicare Advantage Plan. The SERS net pension liability decreased \$1,387, driven by increased interest expenses and investment losses for the plan. SERS investment earnings significantly over performed actuarially determined projections during 2023. (See notes 9 and 10 for more information.)

- Total Governmental Activities decreased \$3,578 resulting from the OPEB decrease of \$2,153 and the pension decrease of \$1,386. The Commonwealth's

pollution remediation liability also experienced a decrease of \$41 primarily due to the Department of Environmental Protection's reduction in total outlays to remediate the Boyertown Landfill site.

- Total Business-Type Activities decreased \$101, primarily resulting from the OPEB decrease of \$134.

Deferred inflows of resources net increase:

The total increase of \$191 is related to the Retired Employee Health Plan and is primarily due to a difference between expected and actual experience and the current year changes in assumptions as a result of an increase in the discount rate from 4.67% to 5.65%.

- Governmental Activities deferred inflows of resources increased by \$215.
- Business-Type Activities deferred inflows of resources decreased by \$24.

Net position is one way of measuring the health of the Commonwealth's finances. The Primary Government's net position increased by \$6,816 over the prior year. This includes a \$5,737 increase in the Governmental Activities net position largely due to reductions in the Commonwealth's pension and OPEB liabilities. Additionally, there were notable increases in cash and investments and capital assets. Temporary investments were shifted to long-term investments, reflecting the stock market's strong performance. The Commonwealth also received additional funding through the Infrastructure Investment and Jobs Act, leading to an increase in infrastructure assets, specifically in highways and bridges.

The \$1,079 increase in net position related to Business-Type Activities can be directly attributed to the reduction in UC overpayments due to the Federal Government, and increased inflows of funds to the Commonwealth Financing Authority and Tuition Payment Fund.

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

Statement of Activities for the Fiscal Years Ended June 30, 2024 and 2023

(Amounts in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program Revenues						
Charges for sales and services	\$ 9,439	\$ 9,354	\$ 10,157	\$ 11,017	\$ 19,596	\$ 20,371
Operating grants and contributions	46,182	49,269	558	262	46,740	49,531
Capital grants and contributions	40	51	11	—	51	51
Total program revenues	55,661	58,674	10,726	11,279	66,387	69,953
General revenues: taxes and investment earnings	51,631	51,738	—	—	51,631	51,738
Total revenues	107,292	110,412	10,726	11,279	118,018	121,691
Expenses:						
Governmental Activities						
Direction and supportive services	1,892	1,798	—	—	1,892	1,798
Protection of persons and property	8,147	8,081	—	—	8,147	8,081
Public education	24,140	22,252	—	—	24,140	22,252
Health and human services	56,748	58,434	—	—	56,748	58,434
Economic development	1,808	2,058	—	—	1,808	2,058
Transportation	7,197	6,809	—	—	7,197	6,809
Recreation and cultural enrichment	811	780	—	—	811	780
Interest	340	329	—	—	340	329
Business-Type Activities						
State lottery	—	—	4,885	5,490	4,885	5,490
State workers' insurance	—	—	130	218	130	218
Tuition payment	—	—	287	293	287	293
Unemployment compensation	—	—	1,980	1,554	1,980	1,554
Commonwealth financing	—	—	383	336	383	336
Liquor control	—	—	2,353	2,296	2,353	2,296
Economic development and other	—	—	101	102	101	102
Total expenses	101,083	100,541	10,119	10,289	111,202	110,830
Excess before transfers	6,209	9,871	607	990	6,816	10,861
Transfers	(472)	(607)	472	607	—	—
Increase in net position	5,737	9,264	1,079	1,597	6,816	10,861
Net position (deficit)-beginning	27,609	18,333	182	(1,415)	27,791	16,918
Restatement	—	12	—	—	—	12
Net position-ending	\$ 33,346	\$ 27,609	\$ 1,261	\$ 182	\$ 34,607	\$ 27,791

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

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

- Governmental Activities increased by \$85. Human services experienced a \$142 increase due to the continued increase in assessments from statewide quality care on hospitals. Transportation revenue also experienced a significant increase due Act 89, which allowed PennDOT to increase the vehicle service fees based on the Consumer Price Index, effective July 1, 2023. These increases were significantly offset by the decrease in royalties from gas and oil leases, which saw a 66% decrease in the average price of natural gas from the reduction in production expenses, supply chain improvements, improved drilling productivity, and increasing takeaway capacity.
- Charges for sales and services of business-type activities include, among many things, lottery sales, wine and spirit sales, and unemployment compensation revenues. The decrease of \$860 is directly related to the decrease in State Lottery sales of \$749. Lottery's decline in sales was most notable in the areas of scratch-offs and draw games. The UC Fund saw a decrease in revenues of approximately \$87 as employer contributions decreased and claimant payments increased.

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

Operating grants and contributions net decrease:

- Governmental Activities decreased by \$3,087 as the amount of federal funding from the American Rescue Plan Act of 2021 (ARPA) that was recognized as revenue decreased. The Department of Human Services saw an overall decrease in funding of \$4,332, approximately \$2,794 of which was related to COVID funding. The most significant decreases occurred in the Supplemental Nutrition Assistance Program (SNAP), which provides nutrition benefits to supplement the food budget of needy families as additional EBT benefits and emergency allotments expired, and the medical assistance program. The Department of Education experienced an increase in COVID funding of \$1,251 primarily for the ESSER and GEER programs as state education agencies submitted their final expenses prior to the programs expiring in the fall of 2024.
- Business-Type Activities increased by \$296. The increase is directly related to the \$304 increase in the State Workers' Insurance Fund's investment earnings.

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

Taxes and investment earnings net decrease of \$107 in Governmental Activities can be attributed to decreases in corporation taxes of \$492, personal income taxes (PIT) of \$205, and real estate taxes of \$127. Starting in 2024, the corporate tax rate once again decreased, from 8.99% to 8.49%, non-withholding revenues on personal income decreased, and the real estate market remained sluggish due to high home prices and interest rates. This was partially offset by a \$437 increase in investment earnings due to a favorable market.

Expenses: Governmental Activities

Protection of persons and property expenses increased by \$66. The Insurance Department saw an increase of \$163 mainly as a result of an uptick in litigation and settlement payments from the Medical Care Availability and Reduction of Error Fund (Mcare). The Executive Offices and Department of Corrections also saw increases of \$161 and \$66, respectively. However, these increases were largely offset by a \$264 decrease in PEMA's expenses, as COVID funding has dwindled and the Federal Government approved less projects.

Public education expenses increased by \$1,888. Overall funding for education increased over the prior year. State education agencies' COVID expenses for the ESSER and GEER programs increased \$1,406, along with a \$791 increase in Basic Education expenses. This was offset by decreases to the Level Up Supplement and the Ready to Learn Block Grant of \$225 and \$107, respectively.

Health and human services expenses decreased by \$1,686, largely due to a \$1,616 reduction in SNAP benefit payments related to emergency allowances.

Economic development expenses decreased by \$250, which can be directly attributed to the \$250 decrease in COVID-related funding provided to the Pennsylvania Housing Finance Agency (PHFA).

Transportation expenses increased \$388 primarily due to a \$221 increase in payments to subrecipients for improvements and operations of the Commonwealth's public transportation. Additionally, the Motor License Fund's expenses increased \$191, which related to contributions to the Retired Employee Health Program, legal settlements and infrastructure expenses.

Expenses: Business-Type Activities

State Lottery program expenses decreased by \$605. Lottery expenses, specifically prize payouts, decreased by approximately \$504. Retailer commissions, which have a direct correlation to lottery sales, also decreased significantly this year.

Unemployment Compensation program expenses increased by \$426 as more payments were made to claimants.

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

Transfers between the Governmental Activities and Business-Type Activities decreased by \$135. The Gaming Fund's transfers to CFA from the Interactive Gaming and Slot Machine tax and Local Shares revenue decreased \$229. Part of this decrease was offset by a \$100 transfer from the Department of Education to CFA to support school entity improvement projects. CFA will be responsible for receiving and approving the grant applications and grants.

Section D: Individual Funds Analysis

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

	2024	2023
Assets:		
Cash and investments	\$ 22,574	\$ 22,023
Receivables, net	7,526	7,180
Due from other funds/governments/advances/other	5,383	3,804
Total assets	\$ 35,483	\$ 33,007
Liabilities:		
Accounts payable and tax refunds payable	\$ 6,912	\$ 6,972
Due to other funds/governments/advances/other	4,540	3,054
Unearned revenue	831	926
Total liabilities	12,283	10,952
Total deferred inflows of resources	4,288	3,881
Fund Balance:		
Total fund balance	18,912	18,174
Total liabilities, deferred inflows of resources and fund balance	\$ 35,483	\$ 33,007

Cash and investments increased by \$551. The increase was directly related to a \$6,216 increase in long-term investments, which was partially offset by a \$5,698 decrease in temporary investments primarily due to monies being shifted to long-term to generate higher returns. In particular, during the current year the Treasury Department created a new Rainy Day Fund Pool to take advantage of the Commonwealth's non-immediate cash needs. Prior to its creation, Commonwealth funds committed for budget stabilization were invested in Treasury's Liquid Asset Pool. An additional \$898 was moved into the Rainy Day Fund Pool under Act 22 of 2023, which amended the Administrative Code of 1929. Temporary and long-term investments are dependent on having cash to invest and market conditions. A \$459 increase in investment income contributed to the change in investments.

Receivables, net increased by \$346 and was mainly attributable to a \$320 increase in taxes receivable. Personal income, sales and use, and inheritance tax receivables increased by \$71, \$109, and \$116, respectively. The increase in personal income tax receivable was largely due to a rise in projected collections subsequent to year end. Although motor vehicle sales declined, inflation, strong retail sales from dining out, and online shopping contributed to the increase in sales and use taxes receivable. The increase in inheritance tax receivable primarily pertained to a larger number of extraordinary (greater than \$10) tax payments owed and stock market performance.

Due from other funds/governments/advances/other increased by \$1,579 primarily due to a \$1,209 increase in due from the Federal Government and a \$324 increase in

due from other funds. Accrued COVID-19-related grants to local education agencies for the ARPA's Elementary and Secondary School Emergency Relief (ESSER) and Governors Emergency Education Relief (GEER) programs increased by \$1,400 in advance of the September 30, 2024 program expirations. Due from other funds increased mainly due to the timing of a \$252 reimbursement of eligible Medical Assistance for Workers With Disability (MAWD) expenditures from the Tobacco Settlement Fund (Fund). The Fund's reimbursement did not occur in June as in the prior year.

Accounts payable and tax refunds payable decreased by \$60 as the result of a \$352 decrease in accounts payable, offset by a \$292 increase in tax refunds payable. The Department of Human Services (DHS) experienced a \$408 decrease in accounts payable, primarily due to activity involving Medical Assistance (MA) capitation payments and the timing of those payments. As tax collections increase, the amount of refunds to be paid also increases. Additionally, applying a higher interest rate for tax refunds, 8% for calendar year 2024 versus 7% for the prior calendar year, was a contributing factor to the increase in tax refunds payable.

Due to other funds/governments/advances/other increased \$1,486 overall. The increase was comprised primarily of a \$1,419 increase for due to political subdivisions. The majority of the increase in due to political subdivisions directly correlates to the increase in due from the Federal Government for the COVID-19 grants to local education agencies as stated above.

Unearned revenue decreased by \$95. In May 2021, the Commonwealth received \$7,291 of federal Coronavirus State Fiscal Recovery Fund (SFR) monies, which were provided under the ARPA. At June 30, 2024, \$525 of the SFR funds remained unspent, a \$276 decrease from the prior year. This decrease was partially offset by a \$190 increase in federal grants collected in advance, which was largely comprised of \$176 issued by the Office of Surface Mining Reclamation and Enforcement for abandoned coal mine reclamation projects to be administered by the Department of Environmental Protection.

Deferred inflows of resources increased by \$407 due to an increase 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 \$357, comprised of \$130, \$96, \$71, and \$60 increases in the inheritance, sales and use, personal income, and corporation 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 83% 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 84% of the total tax revenues and is the primary funding source for most Commonwealth expenditures.

	2024	2023
Revenues:		
Taxes, net of refunds		
Personal income	\$ 17,020	\$ 17,115
Sales and use	14,246	14,096
Corporation	6,995	7,640
Inheritance	1,556	1,493
Cigarette	971	1,090
Realty transfer	537	626
Gaming	361	365
Other	493	544
Total taxes, net of refunds	42,179	42,969
Intergovernmental	42,316	46,171
Charges for sales and services	4,389	4,251
Licenses/fees/investment/other income	2,409	1,841
Total revenues	91,293	95,232
Expenditures:		
Direction and supportive services	1,105	1,221
Protection of persons and property	6,573	6,224
Health and human services	56,648	58,431
Public education	23,294	21,394
Recreation and cultural enrichment	463	415
Economic development	835	1,291
Transportation	61	93
Capital outlay	399	333
Other expenditures	69	72
Total expenditures	89,447	89,474
Revenues over expenditures	1,846	5,758
Other financing sources (uses):		
Transfers in	519	506
Transfers out	(1,786)	(1,616)
Leases and installment purchases	159	155
Net other financing uses	(1,108)	(955)
Net change in fund balance	\$ 738	\$ 4,803

Total taxes, net of refunds, decreased by \$790 comprised mostly of \$645, \$119, and \$95 decreases in corporation, cigarette, and personal income taxes, respectively, offset by a \$150 increase in sales and use tax. The decrease in corporate tax stemmed largely from Act 53 of 2022, which prescribed a gradual reduction of the Commonwealth's corporate tax rate through 2031. Under Act 53, the corporate tax rate was lowered from 9.99% to 8.99% for calendar year 2023, and further to 8.49% for calendar year 2024. Cigarette sales continue to decline, which aligns with the national trend. An increase in tax refunds, which included more interest due to raising the interest rate from 3% to 7% for calendar year 2023 and to 8% for calendar year 2024, was a contributing factor to the decrease in personal income tax. The increase in sales and use tax collections was the direct result of the increased number of monthly filers versus quarterly filers.

Intergovernmental revenues decreased by \$3,855 partially due to \$1,290 less revenue recognition for American Rescue Plan State Fiscal Recovery (SFR) funds expended in the current year compared to those expended or shifted to the Commonwealth Financing Authority (CFA) in the prior year. The Department of Human Services experienced a \$4,414 decline in federal revenues that was largely attributable to pandemic-specific programs winding down, in particular the enhanced rates for medical assistance and the additional benefits and emergency allotments for the Supplemental Nutrition Assistance Program (SNAP). Conversely, federal revenues for the Department of Education increased \$1,255, primarily due to expending COVID-19 pandemic ESSER and GEER funding prior to the program expirations.

Charges for sales and services increased by \$138 mainly due to the enactment of Act 15 of 2023 (Act 15), which amended the Human Services Code. Act 15 prescribed increases to the statewide quality care assessments charged to covered hospitals. Under Act 15, covered hospitals were assessed 3.54% of net inpatient revenue and 1.78% of net outpatient revenue effective July 1, 2023. In the prior year, the rates were 3.32% and 1.73%, respectively.

Licenses/fees/investment/other income increased by \$568. This increase predominantly pertains to investment income, which increased \$459 over the prior year mostly due to favorable earnings on Commonwealth Investment Program (CIP) investments. Under a settlement agreement that was reached with the Commonwealth during the year, the Monsanto Company agreed to pay \$100 to resolve claims that the production of their products containing polychlorinated biphenyls (PCBs) damaged waterways and natural resources. The Department of Environmental Protection and the Department of Conservation and Natural Resources received \$46 and \$15 from the settlement, respectively.

Health and human services account for approximately 63% of total General Fund expenditures for the year. The decrease of \$1,783 largely relates to a \$1,616 reduction in SNAP benefits associated with the end of the additional pandemic-related EBT benefits and emergency allotments. The number of individuals eligible to receive medical assistance decreased by 661,000 from the prior year.

Public education accounts for approximately 26% of total General Fund expenditures. The increase of \$1,900 primarily pertains to expending COVID-19 pandemic ESSER and GEER funding prior to the program expirations. Additionally, basic education expenditures rose by \$791 in conjunction with an appropriation increase. Expenditures for the Level-Up Supplement program, which provided additional funding to school districts that had the greatest student need and fewest resources, decreased by \$225 as the program's funding was shifted to basic education under Act 1A of 2023.

Protection of persons and property expenditures increased by \$349. The Pennsylvania State Police (PSP) experienced the largest increase, \$236, in expenditures. Act 1A of 2023 reduced the PSP's appropriation from the Motor License Fund, which reimburses a portion of the PSP's personnel and operational expenditures annually, from \$468 to \$329, a \$139 reduction from the prior year. Expenditure increases of \$169 and \$110 for the Department of Corrections and the Executive Offices, respectively, were offset by a \$280 decrease for the Pennsylvania Emergency Management Agency (PEMA). The decrease in PEMA's expenditures was primarily due to reduced COVID-19 pandemic funding for new projects.

Economic development expenditures decreased by \$456 primarily due to a \$501 reduction in American Rescue Plan SFR funds utilized compared to the prior year. Specifically, SFR-funded expenditures for the Department of Community and Economic Development (DCED) decreased by \$249 as grants shrunk; notably, COVID-19 grants issued for the Commonwealth's Whole-Homes Repair Program and State Small Business Credit Initiative (SSBCI) decreased by \$120 and \$73, respectively. Furthermore, in the prior year the Commonwealth issued \$250 of SFR funds to the Pennsylvania Housing Finance Agency (PHFA) for affordable housing construction and development cost relief. The Commonwealth did not issue similar funding to the PHFA during the current year.

Transfers out increased by \$170. Act 34 of 2023 (Act 34), which amended the Fiscal Code, established a Public School Facility Improvement Grant program to support school entity improvement projects. Act 34 also prescribed a \$100 transfer to the Commonwealth Financing Authority (CFA) to administer the program. Transfers to debt service funds increased by \$43 to meet higher debt service requirements on general obligation debt. In addition, transfers from the Department of Military and Veterans Affairs to the Capital Facilities Fund increased by \$36 for facility construction projects, which largely pertained to construction of a new long-term care building on the Hollidaysburg Veterans' Home grounds.

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

Description	2024	2023
Cash and investments	\$ 3,103	\$ 2,605
Other assets	760	743
Total assets	\$ 3,863	\$ 3,348
Accounts payable	\$ 844	\$ 725
Other liabilities	286	298
Total liabilities	1,130	1,023
Total fund balance	2,733	2,325
Total liabilities and fund balance	\$ 3,863	\$ 3,348
Tax revenues	\$ 3,628	\$ 3,664
Licenses and fees	1,304	1,161
Intergovernmental	2,522	2,221
Other revenues	264	145
Total revenues	7,718	7,191
Direction and supportive services	39	36
Protection of persons and property	675	777
Transportation	3,202	3,018
Capital outlay	3,269	2,907
Other expenditures	6	7
Total expenditures	7,191	6,745
Net other financing uses	(119)	(138)
Net change in fund balance	\$ 408	\$ 308

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

Cash and investments increased by \$498 which can primarily be attributed to a \$406 increase in long-term investments and a \$94 increase in temporary investments. Due to an excess of funds in the temporary investment pool, funds were moved to the long-term pool.

Accounts payable increased by \$119 which is primarily due to additional federal funding received from the Infrastructure Investment and Jobs Act (IIJA) and increased funding from the Pennsylvania State Police (PSP), which allowed for more infrastructure related projects.

Licenses and fees increased by \$143 primarily due to fee increases which took effect on July 1, 2023, facilitated by Act 89, amending various sections of Title 75 biennially to adjust fees based on the CPI. This adjustment led to an average increase of nearly 14% in Registration and Vehicle Registration fees compared to the prior fiscal year.

Intergovernmental increased by \$301 continuing to show an upward trend in federal IIJA funding received from the Federal Highway Administration this fiscal year. Increased funding allowed for the expansion of federally reimbursed road and bridge construction projects, which led to an overall increase in revenues received from the Federal Government.

Protection of persons and property expenditures decreased by \$102 mainly due to a reduction in funding from the Motor License Fund to PSP. Specifically, the annual allotment to PSP was reduced by \$138 to allocate additional resources for highway and bridge projects. This decrease was partially mitigated by an \$8 increase in personnel costs and a \$15 increase in professional services expenses incurred by PSP.

Transportation and capital outlay expenditures increased by \$184 and \$362, respectively, primarily due to the uptick in fixed asset costs largely due to IIJA, which enabled expansion in highway and bridge projects. The increase in payments to property owners was primarily linked to the settlement of a protracted litigation claim concerning Right-of-Way. This settlement required PennDOT to disburse a larger than usual amount due to the significant value of coal discovered beneath the land acquired for the new four-lane alignment of US Route 219.

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

Description	2024	2023
Cash and investments	\$ 1,692	\$ 1,747
Unemployment assessments receivable	578	619
Other assets	524	488
Total assets	2,794	2,854
Total deferred outflows of resources	26	9
Accounts payable	90	110
Other liabilities	530	901
Total liabilities	620	1,011
Total deferred inflows of resources	15	20
Total net position	\$ 2,185	\$ 1,832
Total operating revenues: Sales and services	\$ 2,272	\$ 2,359
Total operating expenses: Cost of sales and services	1,979	1,555
Operating income	293	804
Nonoperating income	62	72
Income before transfers	355	876
Transfers out	(2)	(2)
Increase in net position	\$ 353	\$ 874

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

Cash and investments decreased by \$55. Claimant payments increased because the prior fiscal year contained some of the lowest total regular UC benefit payouts since 1990.

Unemployment assessments receivable decreased by \$41 primarily due to an \$11 drop in delinquent employer receivable, a \$16 drop in valuated contributions, and a \$9 drop in overpayment refunds. Delinquent employer receivable decreased due to a 10% decrease in the number of delinquent accounts. Valuated contributions decreased because of a drop in estimated taxable wages. Overpayment refunds decreased because of a higher allocation to overpayment principal due to collection history.

Accounts payable decreased by \$20 due to a drop in the unemployment benefit accrual. The accrual dropped because the pandemic substantially increased the number of unemployment benefit claims and required the Department of Labor and Industry to ramp up operations to address the backlog. Staff is now more current with their claims as the pandemic volume has dissipated.

Other liabilities decreased by \$371 primarily due to the decrease in UC overpayments payable to the Federal Government. As UC staff continued to work through the substantial backlog of accounts due to the pandemic, an extraordinary \$442 UC benefit refund, which was recorded in June 2023, was returned in July 2023.

Total operating revenues: Sales and services decreased by \$87. This is largely attributed to a \$90 decrease in UC employer contributions because the average UC employer contribution rate dropped from 3.46% to 3.42%.

Total operating expenses: Cost of sales and services increased by \$424. This is largely attributed to increases in claimant payments. During the current fiscal year, the total regular UC benefit payout returned to an amount that was closer to pre-pandemic levels.

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

Description	2023	2022
Cash and short-term investments	\$ 56	\$ 58
Long-term investments	1,184	1,129
Other assets	96	86
Total assets	1,336	1,273
Total deferred outflows of resources	10	14
Securities lending obligations	37	22
Unearned revenue	30	32
Insurance loss liability	1,223	1,219
Other liabilities	81	96
Total liabilities	1,371	1,369
Total deferred inflows of resources	20	20
Total net position (deficit)	\$ (45)	\$ (102)
Total operating revenues: Sales and services	\$ 79	\$ 96
Total operating expenses: Cost of sales and services	129	216
Operating loss	(50)	(120)
Investment earnings	108	(195)
Investment expense	(1)	(2)
Net nonoperating revenues (expenses)	107	(197)
Increase (decrease) in net position	\$ 57	\$ (317)

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 by \$55. The change in long-term investments is directly related to two main factors: the volatility of the financial markets and the number of payments made to liquidate claims. The market conditions were favorable this year.

Total operating revenues: Sales and services decreased by \$17 due to the decrease in net premiums written.

Total operating expenses: Cost of sales and services decreased \$87. Losses incurred due to unfavorable development of claim reserves and unfavorable development of actuarial adjustment to loss reserves recognized being smaller this year compared to the prior year.

Investment earnings increased by \$303 primarily due to an increase in net asset value (NAV) adjustments. SWIF's long-term investments in bonds are adjusted to fair market value (FMV) at year-end. The cause of these adjustments is directly related to the financial market, which saw more favorable conditions in the bond market this year compared to the prior fiscal year.

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

Description	2024	2023
Cash and short-term investments	\$ 776	\$ 577
Other assets	271	183
Total assets	1,047	760
Total deferred outflows of resources	28	36
Accounts payable	555	345
Other liabilities	288	145
Total liabilities	843	490
Total deferred inflows of resources	26	28
Total net position	\$ 206	\$ 278
Total operating revenues: Sales and services	\$ 4,935	\$ 5,684
Cost of sales and services	4,863	5,480
Other expenses	21	10
Total operating expenses	4,884	5,490
Operating income	51	194
Nonoperating revenues, net	40	165
Income before transfers	91	359
Transfers in	88	89
Transfers out	(251)	(256)
Transfers, net	(163)	(167)
Increase (decrease) in net position	\$ (72)	\$ 192

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

Cash and short-term investments increased by \$199 as a direct result of the \$199 increase in temporary investments. The balance of temporary investments changes daily as funds are moved between various cash accounts. The account can fluctuate up and down throughout the year.

Other assets increased by \$88 due to a \$84 increase in machinery and equipment, which is comprised of the purchase of 5,355 new innovative Scientific Gaming machines. This increase was partially offset by the increase in accumulated depreciation.

Accounts payable increased by \$210 primarily due to a \$138 rise associated with the expansion of the Property Tax Rent Rebate (PTRR) program. This expansion allowed approximately 175,000 more individuals to qualify for rebates as well as increasing the maximum rebate from \$650 to \$1,000.

Other liabilities increased by \$143. Due to other funds increased \$159 as there was a \$128 accrual of expenses from Community HealthChoices to Lottery as well as a \$30 accrual due from Lottery to PACE.

Total operating revenues: Sales and services decreased \$749 which is attributable to a decrease in overall lottery sales, specifically in the area of field prizes and scratch-offs.

Cost of sales and services decreased by \$617. Operating expenses have a strong correlation to operating revenues, as the number of payments for field-paid prizes is directly related to lottery sales. Field-paid prizes and commissions saw the most significant decreases. Lottery-related costs overall have decreased for goods and services, and these costs vary from year to year based on business needs or sales, game designs, and player behavior.

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

Description	2024	2023
Cash and short-term investments	\$ 193	\$ 183
Long-term investments	2,216	2,181
Other assets	91	24
Total assets	2,500	2,388
Securities lending obligations	45	102
Tuition benefits payable	1,725	1,698
Other liabilities	62	47
Total liabilities	1,832	1,847
Total net position	\$ 668	\$ 541
Total operating revenues: Sales and services	\$ 209	\$ 212
Total operating expenses: Cost of sales and services	286	292
Operating loss	(77)	(80)
Nonoperating revenues, net	204	144
Increase in net position	\$ 127	\$ 64

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, 2024, 34 such institutions were participating. In addition, private institutions, which are defined as any private or out-of-state public post-secondary educational institution, are considered eligible for the program.

Total assets increased by \$112 and are attributable mostly to an increase in investments held compared to the prior year. The portfolio's return (net of fees) was 9.46% as of June 30, 2024, compared to a 6.74% as of June 30, 2023. The Fund's returns increased due to positive market fluctuations throughout the year, mostly from U.S. Equities, which increased from 18.97% to 22.97% and Real Estate increased from (3.99%) to 4.70%.

Total liabilities decreased by \$15 which is attributable to a decrease in the portfolio's securities lending liability compared to prior years.

Total operating expenses: Cost of sales and services decreased by \$6 primarily due to a decrease in tuition benefit expense of \$10. The program usage resulted in 14,623 beneficiaries using 497,383 credits during the fiscal year ended June 30, 2024, compared to 14,887 beneficiaries using 492,802 credits during the fiscal year ended June 30, 2023. Salaries and other administrative expenses also showed a slight increase during the fiscal year compared to the prior fiscal year in which there was a slight decrease.

Nonoperating revenues, net increased by \$60 largely due to favorable market fluctuations, mostly from U.S. Equities and Real Estate.

Net position increased by \$127 from the prior year. At \$668, the plan is currently 138.17% funded as of June 30, 2024, compared to 131.04% funded as of June 30, 2023.

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

Description	2024	2023
Cash and investments	\$ 305	\$ 388
Inventory	218	213
Other assets	312	316
Total assets	835	917
Total deferred outflows of resources	214	291
Accounts payable	364	368
Pension and OPEB liabilities	947	1,091
Other liabilities	359	418
Total liabilities	1,670	1,877
Total deferred inflows of resources	232	239
Total net position (deficit)	\$ (853)	\$ (908)
Total operating revenues: Sales and services	\$ 2,582	\$ 2,553
Cost of sales and services	2,262	2,213
Other expenses	86	78
Total operating expenses	2,348	2,291
Operating income	234	262
Nonoperating revenues, net	11	4
Income before transfers	245	266
Transfers out	(190)	(189)
Increase in net position	\$ 55	\$ 77

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

Cash and investments decreased by \$83 resulting from a decrease in cash flow from operations and having less funds available for cash deposits and temporary investment purchases. This is evident as short-term investments decreased by \$102 for the fiscal year.

Total deferred outflows of resources decreased by \$77, primarily due to the change in the difference between projected and actual investment income in the pension plan. Investment gains significantly over performed actuarially determined projections. Additionally, a decrease of OPEB deferred outflows was primarily due to the recognition of prior years' amortization.

Pension and OPEB liabilities decreased by \$144 due to a \$99 decrease in the PLCB's share of Retired Employees Health Program (REHP) OPEB Liability, which was largely a result of an increase in the discount rate and the updated trend assumptions. Additionally, there were decreases in per capita claims cost due to favorable claims experiences and the \$0 premium rate guarantee in 2025 and 2026 for the Aetna Medicare Advantage Plan.

Other liabilities decreased by \$59 and was directly related to the \$55 decrease in due to other funds and the timing of PLCB's remittance of sales tax collected on retail sales.

Sales and Services increased by \$29. Price increases in the prior year did not impact consumers, resulting in above normal sales growth. The current year's increase reflects normal pre-pandemic sales growth.

Cost of sales and services increased by \$49 primarily due to an increase in salaries, wages, and other personnel costs, and the ongoing support and maintenance expenses related to fully implementing Project New Horizon, the new ERP system utilized by PLCB.

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

Description	2024	2023
Current assets	\$ 2,206	\$ 1,831
Noncurrent assets	245	257
Total assets	2,451	2,088
Total deferred outflows of resources	1	1
Current liabilities	518	511
Noncurrent liabilities	4,011	4,178
Total liabilities	4,529	4,689
Total deferred inflows of resources	11	12
Total net position (deficit)	\$ (2,088)	\$ (2,612)
Operating revenues, net of uncollectibles	\$ 4	\$ (2)
Operating expenses	209	147
Operating loss	(205)	(149)
Nonoperating expenses, net	(64)	(125)
Loss before transfers	(269)	(274)
Transfers, net	793	943
Increase in net position	\$ 524	\$ 669

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

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

Current assets increased by \$375 mostly attributable to an increase in cash due to Local Share program transfers increasing by \$269, and a \$49 increase in investment earnings.

Total liabilities decreased by \$160 due in part to a decrease in long-term debt, as there were no new bond issuances during the fiscal year and regular amortized principal payments were made on outstanding bonds. Current liabilities are higher by \$7 primarily due to a \$6 increase in current portion of loan guarantee payable, and a \$7 increase in the current portion of long-term debt, offset by a \$5 decrease in unearned revenue. As of June 30, 2024, the total outstanding debt for CFA stood at \$4,168.

Operating expenses increased by \$62 primarily due to an increase in grant expenses when compared to the prior year. As an authority under which economic stimulus programs are established, grants and transfers to other

governmental entities are essential to achieving its mission.

Nonoperating expenses, net decreased by \$61 primarily due to an increase in interest on investments.

Transfers, net include \$793 in transfers in from the primary government, which was comprised of transfers in for debt service purposes as well as transfers to fund programs such as Multimodal Transportation, Act 13, and Local Share. The descriptions of these programs are as follows: The Multimodal Transportation Fund provides grants to encourage economic development and ensure that a safe and reliable system of transportation is available to residents of the Commonwealth. Act 13 provides grants for flood mitigation, orphaned and abandoned well plugging, greenway trails and recreation, watershed restoration and protection, abandoned mine drainage abatement and treatment, baseline water quality, and sewage facility projects. The Local Share provides grants to support and enhance community and economic well-being and mitigate the impact of gaming and related activities.

Net position increased by \$524 primarily due to a net \$220 inflow in Local Share program funds, receipt of \$100 in funds for the Public Facilities Grant Program, investment earnings of \$102, and a \$159 decrease in bond debt, which were offset by a \$150 decrease in transfers in from the primary government.

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, 2024, is presented immediately following the Notes to the Financial Statements section of the ACFR. In the final budget, state program revenues were adjusted to the revised revenue estimates anticipated to be received by the end of the fiscal year and were anticipated to be sufficient to fund all 2023-2024 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 \$441 in tax revenues, an increase of \$215 in non-tax revenues, and an increase of \$550 in refunds, resulting in a net increase of \$107.

Final Federal revenues and corresponding expenditures were (\$892) less than originally budgeted, primarily due to reduced funding received in both the Department of Human Services for \$848 and Department of Insurance for \$124 which totaled a reduction of \$972. Other increases include \$38 in the Department of Conservation and Natural Resources, \$14 in the Department of Education, \$12 in the Department of General Services and a combined \$48 in other agencies of the Commonwealth. Federal funding expired in 2023 was \$32.

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

On an actual budgetary basis, state program revenues were adjusted to actual revenues received by the fiscal year-end. Final budgeted state program revenues sufficiently funded all 2023-2024 original state appropriations. Supplemental appropriations passed on July 11, 2024, by the General Appropriation Act of 2024 resulted in a \$108 decrease in state appropriations and a \$855 decrease in federal appropriations, with supplemental appropriations effective as of the fiscal year ended June 30, 2024.

Actual total state revenues were \$206 more than the final budgeted state revenues due to a reduction in tax revenues (\$69) and an increase in non-tax (\$276) revenues actually received. The (\$148) decrease in departmental services is mainly attributable to decreased receipts in the Department of Human Services, offset by increases in the other agencies, resulting in a net increase of \$59 in state program revenues.

The difference of (\$198) in actual state program expenditures under the final budget is the result of the decrease available from departmental services.

Section F: Capital Asset and Long-term Debt Activity

Capital Asset Overview and Explanation

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

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

as additions to capital assets in government-wide financial statements.

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

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

Note 4 in the notes to the financial statements section of the ACFR provides more information on capital asset activities during the fiscal year ended June 30, 2024.

Long-term Debt Overview – fiscal year ended June 30, 2024

(Amounts in millions)

The constitution of the Commonwealth of Pennsylvania permits the incurrence of debt without the approval of the electorate for capital projects specifically authorized in a capital budget. Capital project debt outstanding cannot exceed one and three quarters (1.75) times the average of the annual tax revenues deposited in all funds during the previous five fiscal years. The Commonwealth's constitutional debt limit, which allows for the incurrence of debt to be used for capital projects without electorate approval as specifically itemized in a capital budget, was \$79.1 billion as of August 31, 2024, with net debt outstanding after credit for refunded debt of \$9.7 billion for a remaining legal debt margin of \$69.4 billion. In addition to constitutionally authorized capital project debt, the Commonwealth may incur debt for electorate-approved programs, such as economic revitalization, land and water development, water facility restoration, and certain environmental initiatives; and for special purposes approved by the General Assembly, such as disaster relief.

At June 30, 2024, the Commonwealth had a total General Obligation Bond principal outstanding of \$10.6 billion for the following purposes:

\$	6,876	Capital Facilities Bonds
	3,549	Refunding Bonds
	127	Electorate Approved Debt (various)

During the fiscal year ended June 30, 2024, debt service fund transfers were paid primarily from the General Fund, the Motor License Fund, and the Gaming Fund in the amounts of \$1,170, \$124, and \$48, 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, 2025

(Amounts in millions)

During the fiscal year ending June 30, 2025, the Office of the Budget currently plans to issue general obligation bonds, excluding refundings, in the amount of \$1,495. This is an increase of \$160 when compared to the actual new money bond issuance of \$1,335 during the fiscal year ended June 30, 2024. 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 \$933 are currently planned for the fiscal year ending June 30, 2025. The Commonwealth continues to evaluate refunding opportunities for its outstanding bonds to reduce interest costs.

In addition to general obligation bonds, the Commonwealth may issue tax anticipation notes to meet operating cash needs during certain months of the fiscal year. Tax anticipation notes may be issued only for the General Fund and the Motor License Fund. They may not exceed 20% of the funds' estimated revenues for the fiscal year and must mature during the fiscal year in which they were issued. Cash shortages may occur during the fiscal year because tax receipts, unlike cash disbursements, are concentrated in the last four months of the fiscal year. The Commonwealth does not anticipate issuing a tax anticipation note for the fiscal year ending June 30, 2025. In addition to issuing tax anticipation notes, the Commonwealth may obtain a short-term investment line

of credit with the Pennsylvania Treasury Department. All amounts drawn using the lines of credit must be returned with interest in the same fiscal year in which the draw occurred. The Commonwealth does not anticipate obtaining a line of credit for the fiscal year ending in 2025.

The Commonwealth's planned issuance for the fiscal year ending June 30, 2025 is dependent on the passage of an annual capital budget by the state legislature. The capital budget for the fiscal year ending June 30, 2025 was enacted on October 2, 2024.

There were no debt limitations, restrictions, or commitments during the fiscal year ended June 30, 2024, that may affect the Commonwealth's plans during the fiscal year ending June 30, 2025.

Section G: Currently Known Facts

(Amounts in whole dollars)

COVID-19 Pandemic

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

The American Rescue Plan Act of 2021 (ARPA) provided state and local governments with additional pandemic relief in the form of State and Local Fiscal Recovery Funds (SLFRF), which allow governments' broad discretion in mitigating the pandemic impacts, including the government's own revenue losses. The Commonwealth received \$7.3 billion in SLFRF funds in May 2021, and as of June 30, 2024, \$525 million remains unspent. The funds are anticipated to be fully utilized by the December 31, 2024 federal deadline.

Corporate Tax Rate

For tax years beginning January 1, 1995 through December 31, 2022 at tax rate of 9.99% was in effect. In June of 2022, Act 53 was signed into law and reduced the corporate income tax rate. Starting in 2023, the 9.99% corporate tax rate will decrease .5% each year until it reaches 4.99% in year nine. For calendar year 2024, the corporate tax is 8.49% and will be reduced to 7.99% for calendar year 2025.

Opioid Settlement Agreements

The Commonwealth, through the PA Office of the Attorney General (AG), has entered into settlement agreements with manufacturer Janssen Pharmaceuticals, Inc., its parent company Johnson & Johnson, distributors McKesson, Cardinal Health, and AmerisourceBergen, as well as consulting group McKinsey. Agreements with Teva, Allergan, CVS, Walgreens, and Walmart are in the process of being finalized. The settlements state that a significant amount of the settlement funds must be used to remediate the opioid crisis. As of June 30, 2024, the Commonwealth has received approximately \$67 million in opioid settlement funds, with \$26.9 million received this fiscal year. The Commonwealth is expected to receive \$212 million over the next 16 years related to finalized agreements. It is not known at this time what amounts will be received for the settlement agreements remaining to be finalized subsequent to June 30, 2024.



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

Basic Financial Statements

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

Government-wide Financial Statements

Commonwealth of Pennsylvania
Statement of Net Position
June 30, 2024

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current assets:				
Cash—Note 2, 16	\$ 210,686	\$ 2,127,251	\$ 2,337,937	\$ 3,053,101
Cash with fiscal agents—Note 2	66,533	1,585,349	1,651,882	302
Temporary investments—Note 2, 16	23,352,947	1,473,449	24,826,396	4,414,968
Receivables (net):				
Taxes—Note 3	3,523,700	—	3,523,700	—
Unemployment assessments	—	578,475	578,475	—
Accounts	2,501,164	571,204	3,072,368	319,259
Investment earnings	108,326	25,619	133,945	28,284
Interest on notes and loans	26	16,636	16,662	134,681
Loans—Note 3, 16	16,284	40,684	56,968	842,405
Lease rentals—Note 3	408	14,590	14,998	3,404
Investment sale proceeds	7,375	78,940	86,315	—
Other	158,382	1	158,383	96,260
Due from pension trust funds—Note 5	6,319	—	6,319	—
Due from primary government—Note 5	—	—	—	16,516
Due from component units—Note 5	47,975	—	47,975	2,177
Due from Federal Government	5,211,823	4,713	5,216,536	16,836
Due from political subdivisions	3,816	4,502	8,318	—
Due from other governments	2	8,378	8,380	94
Inventory	187,856	218,337	406,193	26,063
Prepaid expenses	—	3,338	3,338	63,137
Other assets	3,000	36,643	39,643	38,985
Total current assets	<u>35,406,622</u>	<u>6,788,109</u>	<u>42,194,731</u>	<u>9,056,472</u>
Noncurrent assets:				
Restricted cash—Note 2	—	320	320	55,536
Long-term investments—Note 2, 16	13,269,665	3,627,594	16,897,259	2,576,208
Receivables (net):				
Taxes—Note 3	1,881,406	—	1,881,406	—
Loans—Note 3, 16	23,224	360,758	383,982	9,761,779
Lease rentals—Note 3	2,639	108,301	110,940	67,160
Due from component units—Note 5	28,046	—	28,046	—
Non-depreciable capital assets—Note 4, 16:				
Land	3,835,171	244,050	4,079,221	532,643
Construction in progress	6,747,950	24,014	6,771,964	2,183,382
Depreciable or amortizable capital assets—Note 4, 16:				
Land improvements	1,225,125	175,585	1,400,710	566,263
Buildings and building improvements	9,956,745	604,214	10,560,959	6,019,038
Machinery and equipment	2,358,029	430,235	2,788,264	1,524,557
Turnpike infrastructure	—	—	—	10,864,934
Highway infrastructure	41,247,254	—	41,247,254	—
Bridge infrastructure	20,528,214	—	20,528,214	—
Waterway infrastructure	49,111	—	49,111	—
Infrastructure-other	357,328	—	357,328	—
Library books	—	—	—	70,501
Other capital assets	—	—	—	2
Intangible right-to-use assets	1,734,509	503,256	2,237,765	238,759
Other intangible assets	1,620,294	151,035	1,771,329	75,042
Less: accumulated depreciation and amortization	(43,610,316)	(888,275)	(44,498,591)	(10,917,077)
Net depreciable or amortizable capital assets	<u>35,466,293</u>	<u>976,050</u>	<u>36,442,343</u>	<u>8,442,019</u>
Other assets	—	9,280	9,280	1,182,764
Total noncurrent assets	<u>61,254,394</u>	<u>5,350,367</u>	<u>66,604,761</u>	<u>24,801,491</u>
TOTAL ASSETS	<u>96,661,016</u>	<u>12,138,476</u>	<u>108,799,492</u>	<u>33,857,963</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3, 6, 9, 10, 16	<u>\$ 8,429,420</u>	<u>\$ 294,764</u>	<u>\$ 8,724,184</u>	<u>\$ 923,455</u>

Commonwealth of Pennsylvania
Statement of Net Position
June 30, 2024

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 7,320,237	\$ 1,040,451	\$ 8,360,688	\$ 700,350
Investment purchases payable	14,112	53,839	67,951	—
Tax refunds payable	1,120,253	—	1,120,253	—
Tuition benefits payable—Note 6	—	310,015	310,015	—
Securities lending obligations	197,914	89,868	287,782	37,681
Internal balances—Note 5	55,027	(54,857)	170	—
Due to pension trust funds—Note 5	241,638	4,314	245,952	—
Due to primary government—Note 5	—	—	—	53,787
Due to component units—Note 5	6,987	23	7,010	2,177
Due to political subdivisions	4,032,497	6,961	4,039,458	—
Due to other governments	22,575	475,137	497,712	1
Interest payable	154,491	14,583	169,074	405,683
Unearned revenue	1,012,312	365,715	1,378,027	219,480
Notes payable—Note 16	—	—	—	226,212
General obligation bonds payable—Note 6	932,255	—	932,255	—
Bonds payable—Note 16	—	—	—	101,205
Revenue bonds payable—Note 6, 16	—	157,015	157,015	576,334
Self-insurance liabilities—Note 6, 8	113,544	5,466	119,010	12,433
Compensated absence liability—Note 6, 16	161,229	7,631	168,860	28,214
Insurance loss liability—Note 6	—	127,556	127,556	—
Other financing obligations—Note 6	19,595	—	19,595	1,833
Other postemployment benefit liability—Note 10, 16	115,144	414	115,558	50,467
Nonexchange financial guarantees—Note 14	—	15,900	15,900	—
Installment purchase liability—Note 6	2,930	—	2,930	—
Right-to-use liability—Note 6	148,543	65,819	214,362	39,802
Other liabilities—Note 6	610,923	14,031	624,954	474,417
Total current liabilities	16,282,206	2,699,881	18,982,087	2,930,076
Noncurrent liabilities:				
Tuition benefits payable—Note 6	—	1,415,476	1,415,476	—
Due to primary government—Note 5	—	—	—	28,046
Unearned revenue	—	—	—	672
Insurance loss liability—Note 6	—	1,095,299	1,095,299	—
Notes payable—Note 16	—	—	—	1,890,153
General obligation bonds payable—Note 6	10,224,034	—	10,224,034	—
Bonds payable—Note 16	—	—	—	2,259,116
Revenue bonds payable—Note 6, 16	—	4,010,845	4,010,845	22,483,351
Other financing obligations—Note 6, 16	438,899	—	438,899	10,683
Compensated absence liability—Note 6, 16	756,988	37,335	794,323	130,762
Self-insurance liabilities—Note 6, 8	868,946	48,409	917,355	45,730
Other postemployment benefit liability—Note 10, 16	14,565,624	440,321	15,005,945	1,380,280
Nonexchange financial guarantees—Note 14	—	285	285	—
Net pension liability—Note 9, 16	17,489,743	788,443	18,278,186	1,547,177
Installment purchase liability—Note 6	5,467	—	5,467	—
Right-to-use liability—Note 6	997,892	189,769	1,187,661	73,847
Other liabilities—Note 6	1,951,747	367	1,952,114	580,003
Total noncurrent liabilities	47,299,340	8,026,549	55,325,889	30,429,820
TOTAL LIABILITIES	63,581,546	10,726,430	74,307,976	33,359,896
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3, 6, 9, 10, 16	8,163,196	446,108	8,609,304	1,525,633
NET POSITION—Note 15				
Net investment in capital assets	38,957,153	988,526	39,945,679	254,290
Restricted for:				
General government operations	987	—	987	—
Health-related programs	122,343	—	122,343	73,036
Transportation	2,480,029	136,195	2,616,224	—
Capital projects	—	23,536	23,536	4,920,765
Debt service	—	—	—	590,622
Unemployment/workers' compensation	978,747	2,175,255	3,154,002	—
Elderly programs	—	23,647	23,647	—
Environmental and conservation programs	778,843	—	778,843	—
Economic development	9,989	61,711	71,700	121,094
Gaming/horse racing regulation	1,540,819	—	1,540,819	—
Correctional industries and procurement	12,015	—	12,015	—
Emergency support	101,739	135,772	237,511	—
Higher education	—	667,689	667,689	1,037,487
Beneficiaries	713,875	—	713,875	—
Human services	235,271	—	235,271	—
Public protection	64,709	—	64,709	—
Other purposes	—	173,879	173,879	805,101
Unrestricted	(12,650,825)	(3,125,508)	(15,776,333)	(7,906,506)
TOTAL NET POSITION (DEFICIT)	\$ 33,345,694	\$ 1,260,702	\$ 34,606,396	\$ (104,111)

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

Commonwealth of Pennsylvania
Statement of Activities

For the Fiscal Year Ended June 30, 2024

(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
Direction and supportive services	\$ 1,891,785	\$ 536,170	\$ 198,109	\$ —	\$ (1,157,506)	\$ —	\$ (1,157,506)	\$ —
Protection of persons and property	8,147,130	1,997,383	1,244,691	3,477	(4,901,579)	—	(4,901,579)	—
Public education	24,140,385	7,671	5,846,148	—	(18,286,566)	—	(18,286,566)	—
Health and human services	56,748,489	4,583,646	35,156,768	—	(17,008,075)	—	(17,008,075)	—
Economic development	1,808,293	107,803	637,890	—	(1,062,600)	—	(1,062,600)	—
Transportation	7,196,737	1,771,403	2,901,111	32,864	(2,491,359)	—	(2,491,359)	—
Recreation and cultural enrichment	810,591	435,128	197,832	4,033	(173,598)	—	(173,598)	—
Interest	339,730	—	—	—	(339,730)	—	(339,730)	—
Total governmental activities	101,083,140	9,439,204	46,182,549	40,374	(45,421,013)	—	(45,421,013)	—
Business-Type activities:								
State lottery	4,884,714	4,934,811	39,897	—	—	89,994	89,994	—
State workers' insurance	130,240	79,034	108,652	—	—	57,446	57,446	—
Tuition payment	287,001	208,934	204,875	—	—	126,808	126,808	—
Unemployment compensation	1,979,718	2,272,037	61,858	—	—	354,177	354,177	—
Commonwealth financing	382,764	5,589	102,363	5,088	—	(269,724)	(269,724)	—
Liquor control	2,353,402	2,581,574	16,222	—	—	244,394	244,394	—
Economic development and other	100,848	74,646	23,702	6,104	—	3,604	3,604	—
Total business-type activities	10,118,687	10,156,625	557,569	11,192	—	606,699	606,699	—
Total primary government	\$ 111,201,827	\$ 19,595,829	\$ 46,740,118	\$ 51,566	(45,421,013)	606,699	(44,814,314)	—
Component units:								
Total component units	\$ 6,098,443	\$ 3,672,237	\$ 3,128,495	\$ 287,965	\$ —	\$ —	\$ —	\$ 990,254
		General revenues:						
		Taxes:						
					17,090,663	—	17,090,663	—
					15,704,542	—	15,704,542	—
					7,065,252	—	7,065,252	—
					3,691,364	—	3,691,364	—
					2,464,449	—	2,464,449	—
					1,686,072	—	1,686,072	—
					996,306	—	996,306	—
					631,264	—	631,264	—
					1,134,365	—	1,134,365	—
					50,464,277	—	50,464,277	—
					1,166,303	—	1,166,303	—
					51,630,580	—	51,630,580	—
					(472,152)	472,152	—	—
					51,158,428	472,152	51,630,580	—
					5,737,415	1,078,851	6,816,266	990,254
					27,608,279	181,851	27,790,130	(1,087,918)
					—	—	—	(6,447)
					27,608,279	181,851	27,790,130	(1,094,365)
					\$ 33,345,694	\$ 1,260,702	\$ 34,606,396	\$ (104,111)

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



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

Fund Financial Statements

Commonwealth of Pennsylvania
Balance Sheet
Governmental Funds
June 30, 2024

(Amounts in thousands)

	General Fund	Motor License Fund	Nonmajor Funds	Total
ASSETS				
Cash—Note 2	\$ 126,569	\$ 28,817	\$ 53,363	\$ 208,749
Cash with fiscal agents—Note 2	64,950	—	1,583	66,533
Temporary investments—Note 2	14,632,616	1,533,304	7,158,294	23,324,214
Long-term investments—Note 2	7,749,692	1,540,880	3,954,212	13,244,784
Receivables (net):				
Taxes—Note 3	5,074,179	297,601	33,326	5,405,106
Accounts	2,212,716	34,937	253,070	2,500,723
Investment earnings	66,372	5,720	36,117	108,209
Interest on notes and loans	26	—	—	26
Loans—Note 3	39,508	—	—	39,508
Investment sale proceeds	—	—	7,375	7,375
Lease Rentals—Note 3	2,869	—	177	3,046
Other	130,638	27,744	—	158,382
Due from other funds—Note 5	505,616	8,309	222,134	736,059
Due from pension trust funds—Note 5	581	517	—	1,098
Due from component units—Note 5	45,213	94	30,583	75,890
Due from Federal Government	4,761,084	384,080	66,659	5,211,823
Due from political subdivisions	2,543	1,122	—	3,665
Due from other governments	2	—	—	2
Advances to other funds—Note 5	64,475	—	16,500	80,975
Other assets	3,000	—	—	3,000
TOTAL ASSETS	\$ 35,482,649	\$ 3,863,125	\$ 11,833,393	\$ 51,179,167
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 5,791,736	\$ 842,545	\$ 640,337	\$ 7,274,618
Investment purchases payable	—	—	14,112	14,112
Tax refunds payable	1,119,090	1,163	—	1,120,253
Securities lending obligations	4,055	50,018	143,032	197,105
Due to other funds—Note 5	201,221	61,892	555,356	818,469
Due to component units—Note 5	4,511	2,354	119	6,984
Due to pension trust funds—Note 5	231,864	6,627	3,004	241,495
Due to political subdivisions	3,642,071	86,182	304,238	4,032,491
Due to other governments	11,821	10,031	690	22,542
Unearned revenue—Note 3	831,331	65,214	115,766	1,012,311
Advances from other funds—Note 5	—	4,351	76,500	80,851
Other liabilities	444,266	—	—	444,266
TOTAL LIABILITIES	12,281,966	1,130,377	1,853,154	15,265,497
Deferred inflows of resources:				
TOTAL DEFERRED INFLOWS OF RESOURCES - Note 3	4,288,008	—	176,288	4,464,296
Fund balances—Note 15:				
Nonspendable	53,446	—	—	53,446
Restricted	119,530	2,732,748	8,572,668	11,424,946
Committed	9,814,275	—	1,244,391	11,058,666
Unassigned (deficit)	8,925,424	—	(13,108)	8,912,316
TOTAL FUND BALANCES	18,912,675	2,732,748	9,803,951	31,449,374
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 35,482,649	\$ 3,863,125	\$ 11,833,393	\$ 51,179,167

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

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

June 30, 2024

(Amounts in thousands)

The governmental funds balance sheet reports the 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 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 the total governmental funds fund balance and ends with the 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 \$ **31,449,374**

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	\$	3,835,171	
Land improvements		1,224,933	
Buildings and building improvements		9,950,319	
Machinery and equipment		2,153,070	
Infrastructure		62,181,907	
Intangible right-to-use leases		1,419,925	
Other intangible assets		1,620,294	
Construction in progress		6,747,950	
Accumulated depreciation and amortization		<u>(43,403,150)</u>	
Net general capital assets			45,730,419

Certain revenues are earned but not available at fiscal year-end, and therefore, are reported as deferred inflows of resources in the governmental funds balance sheet 4,461,100

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 (21,253)

Other miscellaneous adjustments that are not reported in the governmental funds balance sheet but are reported in the statement of net position 3

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 3,778

The statement of net position includes inventories that are not reported in the governmental funds balance sheet because they are not current financial resources 167,010

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..... (13,691,497)

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

June 30, 2024

(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..... (18,267,139)

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..... 166,955

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	\$	(11,156,289)	
Accrued interest payable		(154,491)	
Lease and installment purchase liabilities		(871,065)	
Compensated absence liability		(915,021)	
Self-insurance liabilities		(979,292)	
Other financing obligations		(458,494)	
Other liabilities		<u>(2,118,404)</u>	
			<u>(16,653,056)</u>

Total Net Position—Governmental Activities **\$ 33,345,694**

- 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, 2024

(Amounts in thousands)

	General Fund	Motor License Fund	Nonmajor Funds	Total
REVENUES:				
Taxes, net of refunds	\$ 42,179,317	\$ 3,628,209	\$ 4,299,823	\$ 50,107,349
Licenses and fees	760,083	1,303,944	1,454,746	3,518,773
Intergovernmental	42,315,745	2,521,678	609,319	45,446,742
Charges for sales and services	4,388,038	88,161	591,372	5,067,571
Investment earnings	1,165,471	169,805	576,426	1,911,702
Interest on notes and loans	418	—	6	424
Other	483,955	5,784	272,095	761,834
TOTAL REVENUES	91,293,027	7,717,581	7,803,787	106,814,395
EXPENDITURES:				
Current:				
Direction and supportive services	1,104,612	39,221	792,960	1,936,793
Protection of persons and property	6,572,875	674,877	1,257,304	8,505,056
Health and human services	56,647,920	—	681,869	57,329,789
Public education	23,293,580	—	794,767	24,088,347
Recreation and cultural enrichment	462,896	5,125	357,931	825,952
Economic development	835,469	—	999,586	1,835,055
Transportation	61,071	3,202,070	2,083,316	5,346,457
Capital outlay	399,285	3,269,150	462,791	4,131,226
Debt service:				
Principal retirement	21,530	—	928,181	949,711
Interest and fiscal charges	47,657	546	441,225	489,428
TOTAL EXPENDITURES	89,446,895	7,190,989	8,799,930	105,437,814
EXCESS/(DEFICIENCY) OF REVENUES				
OVER/(UNDER) EXPENDITURES	1,846,132	526,592	(996,143)	1,376,581
OTHER FINANCING SOURCES (USES):				
Bonds issued	—	—	1,335,000	1,335,000
Refunding bonds issued	—	—	753,615	753,615
Premium on bonds/refunding bonds	—	—	242,610	242,610
Transfers in—Note 5	519,213	19,612	1,812,511	2,351,336
Transfers out—Note 5	(1,785,608)	(140,885)	(896,995)	(2,823,488)
Payment to refunded bond escrow agent	—	—	(850,365)	(850,365)
Right-to-use and installment purchases	158,574	1,647	7,942	168,163
NET OTHER FINANCING SOURCES (USES)	(1,107,821)	(119,626)	2,404,318	1,176,871
NET CHANGE IN FUND BALANCES	738,311	406,966	1,408,175	2,553,452
FUND BALANCES, JULY 1, 2023	18,174,364	2,325,782	8,395,776	28,895,922
FUND BALANCES, JUNE 30, 2024	\$ 18,912,675	\$ 2,732,748	\$ 9,803,951	\$ 31,449,374

- 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, 2024

(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, 2024. 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..... \$ **2,553,452**

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	\$ 4,131,226	
Depreciation expense and losses on retirement or sale of assets	(2,694,465)	
Lease, installment purchase and related payments	170,945	
Net excess of capital asset additions/installment purchase payments over depreciation expense		1,607,706

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 \$144,689	\$ (1,479,689)	
Refunding bonds including a premium of \$97,921	(851,536)	
Lease and installment purchase financing	(168,163)	
Total bond proceeds and lease and installment purchase financing		(2,499,388)

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

Bond principal retirement	\$ 949,711	
Payments to refunded bond escrow agent	850,365	
Total bond principal retirement		1,800,076

Internal service funds charge the costs of certain goods and services to individual funds. The net gain of the internal service funds is reported as part of governmental activities expenses..... 25,914

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..... 469,060

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..... 1,780,595

Net change in governmental net position in the statement of activities..... **\$ 5,737,415**

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

Commonwealth of Pennsylvania
Statement of Net Position
Proprietary Funds
June 30, 2024

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2023)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	Internal Service Funds
ASSETS									
Current assets:									
Cash—Note 2	\$ 41,577	\$ 713	\$ 761	\$ 7,433	\$ 64,743	\$ 1,980,256	\$ 31,768	\$ 2,127,251	\$ 1,934
Cash with fiscal agents	1,585,348	—	—	—	—	—	1	1,585,349	—
Temporary investments—Note 2	65,172	55,522	775,087	186,355	240,010	—	151,303	1,473,449	28,734
Receivables (net):									
Unemployment assessments	578,475	—	—	—	—	—	—	578,475	—
Accounts	485,032	23,935	56,428	—	1,543	—	4,266	571,204	442
Investment earnings	282	10,028	3,267	11,584	—	—	458	25,619	118
Interest on loans	14,608	—	—	—	—	1,181	847	16,636	—
Loans—Note 3	—	—	—	—	—	17,108	23,576	40,684	—
Lease rental—Note 3	—	—	—	—	—	—	14,590	14,590	—
Investment sale proceeds	—	—	—	78,940	—	—	—	78,940	—
Other	—	—	—	—	—	—	1	1	—
Due from other funds—Note 5	1,882	—	268	5	46	207,433	23,207	232,841	32,568
Due from pension trust funds—Note 5	—	—	—	—	—	—	—	—	5,221
Due from component units—Note 5	—	—	—	—	—	—	—	—	131
Due from Federal Government	463	—	(977)	—	—	—	5,227	4,713	—
Due from political subdivisions	4,502	—	—	—	—	—	—	4,502	150
Due from other governments	8,335	—	—	—	—	—	43	8,378	—
Advances to other funds—Note 5	—	—	—	—	—	—	2,176	2,176	—
Inventory	—	—	—	—	218,333	—	4	218,337	20,846
Prepaid expenses	—	—	—	—	2,223	—	1,115	3,338	—
Other assets	—	7,725	28,918	—	—	—	—	36,643	—
Total current assets	2,785,676	97,923	863,752	284,317	526,898	2,205,978	258,582	7,023,126	90,144
Noncurrent assets:									
Restricted cash	—	—	—	—	—	—	320	320	—
Long-term investments—Note 2	—	1,184,228	3	2,216,119	—	—	227,244	3,627,594	24,881
Receivables (net):									
Loans—Note 3	—	—	—	—	—	245,369	115,389	360,758	—
Lease rentals—Note 3	—	—	—	—	—	—	108,301	108,301	—
Non-depreciable capital assets—Note 4:									
Land	—	—	—	—	323	—	243,727	244,050	—
Construction in progress	—	—	—	—	—	—	24,014	24,014	—
Depreciable or amortizable capital assets—Note 4:									
Land improvements	—	—	—	—	—	—	175,585	175,585	192
Buildings and building improvements	115	—	—	—	11,047	—	593,052	604,214	6,426
Machinery and equipment	209	—	300,722	—	48,894	—	80,410	430,235	204,959
Intangible right-to-use assets	1,785	586	7,094	—	493,791	—	—	503,256	314,584
Other intangible assets	12,161	56,621	—	—	82,253	—	—	151,035	—
Less: accumulated depreciation and amortization	(4,547)	(2,772)	(124,487)	—	(327,687)	—	(428,782)	(888,275)	(207,166)
Net depreciable or amortizable capital assets	9,723	54,435	183,329	—	308,298	—	420,265	976,050	318,995
Other assets	—	—	—	—	—	—	9,280	9,280	—
Total noncurrent assets	9,723	1,238,663	183,332	2,216,119	308,621	245,369	1,148,540	5,350,367	343,876
TOTAL ASSETS	2,795,399	1,336,586	1,047,084	2,500,436	835,519	2,451,347	1,407,122	12,373,493	434,020
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3, 6, 9, 10	\$ 25,091	\$ 9,614	\$ 28,058	\$ —	\$ 214,103	\$ 634	\$ 17,264	\$ 294,764	\$ 30,832

Commonwealth of Pennsylvania
Statement of Net Position
Proprietary Funds
June 30, 2024

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2023)	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	\$ 90,482	\$ 8,484	\$ 554,945	\$ 7,865	\$ 364,469	\$ 41	\$ 14,163	\$ 1,040,449	\$ 45,622
Investment purchases payable	—	—	—	53,839	—	—	—	53,839	—
Tuition benefits payable—Note 6	—	—	—	310,015	—	—	—	310,015	—
Securities lending obligations	—	37,127	—	45,364	—	—	7,377	89,868	808
Due to other funds—Note 5	1,604	—	159,257	—	15,941	860	96	177,758	5,311
Due to pension trust funds—Note 5	10	—	202	—	3,905	—	197	4,314	143
Due to component units—Note 5	—	—	—	—	23	—	—	23	3
Due to political subdivisions	—	—	6,907	—	—	—	54	6,961	5
Due to other governments	473,088	—	881	—	1,135	—	33	475,137	31
Interest payable	—	—	—	—	—	14,583	—	14,583	—
Unearned revenue	—	29,629	2,217	—	—	329,912	3,957	365,715	—
Revenue bonds payable—Note 6	—	—	—	—	—	157,015	—	157,015	—
Self-insurance liabilities—Note 8	247	49	131	—	4,941	—	98	5,466	325
Compensated absences—Note 6	—	392	661	—	6,068	—	510	7,631	543
Insurance loss liability—Note 6	—	127,556	—	—	—	—	—	127,556	—
Advances from other funds—Note 5	—	2,402	—	—	—	—	—	2,402	—
Other postemployment benefit liability—Note 10	—	—	—	—	176	—	238	414	—
Nonexchange financial guarantees—Note 14	—	—	—	—	—	15,900	—	15,900	—
Installment purchase liability—Note 6	—	—	—	—	—	—	—	—	355
Right-to-use liability—Note 6	—	122	444	—	65,253	—	—	65,819	9,169
Other liabilities	—	14,031	—	—	—	—	—	14,031	—
Total current liabilities	565,431	219,792	725,645	417,083	461,911	518,311	26,723	2,934,896	62,315
Noncurrent liabilities:									
Tuition benefits payable—Note 6	—	—	—	1,415,476	—	—	—	1,415,476	—
Insurance loss liability—Note 6	—	1,095,133	—	—	—	—	166	1,095,299	—
Revenue bonds payable—Note 6	—	—	—	—	—	4,010,845	—	4,010,845	—
Compensated absences—Note 6	—	1,913	3,226	188	29,627	—	2,381	37,335	2,653
Self-insurance liabilities—Note 8	2,185	431	1,156	—	43,765	—	872	48,409	2,873
Other postemployment benefit liability—Note 10	5,922	16,825	39,662	—	358,194	—	19,718	440,321	34,280
Nonexchange financial guarantees—Note 14	—	—	—	—	—	285	—	285	—
Net pension liability—Note 9	46,805	36,642	72,660	—	589,035	—	43,303	788,445	60,891
Installment purchase liability—Note 6	—	—	—	—	—	—	—	—	644
Right-to-use liability—Note 6	—	192	1,335	—	188,242	—	—	189,769	273,599
Other liabilities	—	—	—	—	—	—	367	367	—
Total noncurrent liabilities	54,912	1,151,136	118,039	1,415,664	1,208,863	4,011,130	66,807	8,026,551	374,940
TOTAL LIABILITIES	620,343	1,370,928	843,684	1,832,747	1,670,774	4,529,441	93,530	10,961,447	437,255
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3, 6, 9, 10	15,169	19,819	26,261	—	231,779	10,673	142,407	446,108	23,819
NET POSITION—Note 15									
Net investment in capital assets	9,723	54,121	181,550	—	55,126	—	688,006	988,526	35,228
Restricted for:									
Transportation	—	—	—	—	—	—	136,195	136,195	—
Capital projects	—	—	—	—	—	—	23,536	23,536	—
Unemployment/workers' compensation	2,175,255	—	—	—	—	—	—	2,175,255	—
Elderly programs	—	—	23,647	—	—	—	—	23,647	—
Economic development	—	—	—	—	—	—	61,711	61,711	—
Correctional industries and procurement	—	—	—	—	—	—	—	—	12,015
Emergency support	—	—	—	—	—	—	135,772	135,772	—
Higher education	—	—	—	667,689	—	—	—	667,689	—
Other purposes	—	—	—	—	—	—	173,879	173,879	—
Unrestricted	—	(98,668)	—	—	(908,057)	(2,088,133)	(30,650)	(3,125,508)	(43,465)
TOTAL NET POSITION (DEFICIT)	\$ 2,184,978	\$ (44,547)	\$ 205,197	\$ 667,689	\$ (852,931)	\$ (2,088,133)	\$ 1,188,449	\$ 1,260,702	\$ 3,778

- 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, 2024

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2023)	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	\$ 2,272,037	\$ 77,825	\$ 4,934,811	\$ 208,934	\$ 2,581,557	\$ 516	\$ 64,477	\$ 10,140,157	\$ 146,362
Interest on loans	—	—	—	—	—	4,008	2,779	6,787	—
Other	—	1,209	—	—	—	1,065	336	2,610	—
OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS	2,272,037	79,034	4,934,811	208,934	2,581,557	5,589	67,592	10,149,554	146,362
Provision for uncollectible accounts	—	—	—	—	—	(1,717)	(295)	(2,012)	—
NET OPERATING REVENUES	2,272,037	79,034	4,934,811	208,934	2,581,557	3,872	67,297	10,147,542	146,362
OPERATING EXPENSES:									
Cost of sales and services	1,977,428	126,610	4,863,466	285,815	2,262,098	209,538	59,324	9,784,279	85,024
Depreciation and amortization	2,291	2,240	21,189	—	85,836	—	36,257	147,813	33,639
Other	—	—	—	—	—	—	3,893	3,893	—
TOTAL OPERATING EXPENSES	1,979,719	128,850	4,884,655	285,815	2,347,934	209,538	99,474	9,935,985	118,663
OPERATING INCOME (LOSS)	292,318	(49,816)	50,156	(76,881)	233,623	(205,666)	(32,177)	211,557	27,699
NONOPERATING REVENUES (EXPENSES):									
Investment earnings	25,057	108,652	39,897	204,875	16,222	102,363	22,485	519,551	3,292
Interest expense	—	(4)	(59)	—	(5,468)	(171,509)	—	(177,040)	(5,101)
Investment expense	—	(1,386)	—	(1,186)	—	—	—	(2,572)	—
Grants and other revenues	36,801	—	—	—	17	5,088	8,271	50,177	25
Other revenues (expenses)	1	—	—	—	—	—	(1,079)	(1,078)	(1)
NONOPERATING REVENUES (EXPENSES), NET	61,859	107,262	39,838	203,689	10,771	(64,058)	29,677	389,038	(1,785)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	354,177	57,446	89,994	126,808	244,394	(269,724)	(2,500)	600,595	25,914
TRANSFERS AND CONTRIBUTIONS:									
Capital contributions	—	—	—	—	—	—	6,104	6,104	—
Transfers in—Note 5	—	—	87,715	—	—	793,251	33,634	914,600	—
Transfers out—Note 5	(1,600)	—	(250,907)	—	(189,941)	—	—	(442,448)	—
TRANSFERS AND CONTRIBUTIONS, NET	(1,600)	—	(163,192)	—	(189,941)	793,251	39,738	478,256	—
INCREASE/(DECREASE) IN NET POSITION	352,577	57,446	(73,198)	126,808	54,453	523,527	37,238	1,078,851	25,914
TOTAL NET POSITION (DEFICIT), JULY 1, 2023	1,832,401	(101,993)	278,395	540,881	(907,384)	(2,611,660)	1,151,211	181,851	(22,136)
TOTAL NET POSITION (DEFICIT), JUNE 30, 2024	\$ 2,184,978	\$ (44,547)	\$ 205,197	\$ 667,689	\$ (852,931)	\$ (2,088,133)	\$ 1,188,449	\$ 1,260,702	\$ 3,778

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

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Commonwealth of Pennsylvania
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2024

(Amounts in thousands)

	Enterprise Funds							Total	Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2023)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds		
CASH FLOWS FROM OPERATING ACTIVITIES:									
Receipts from employers	\$ 2,260,267	\$ 87,155	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,347,422	\$ —
Receipts from customers and participants	—	—	4,940,334	208,934	2,585,341	—	61,067	7,795,676	159,987
Receipts from borrowers for fees and loan repayments	—	—	—	—	—	35,296	28,808	64,104	—
Receipt of premiums	—	—	—	—	—	—	4,546	4,546	—
Payments to programs for the elderly	—	—	(894,345)	—	—	—	—	(894,345)	—
Payments to prize winners	—	—	(3,222,884)	—	—	—	—	(3,222,884)	—
Payments to participants	—	—	—	(250,685)	—	—	—	(250,685)	—
Payments to claimants	(2,372,883)	(80,337)	—	—	—	—	—	(2,453,220)	—
Payments to borrowers	—	—	—	—	—	(18,366)	(14,795)	(33,161)	—
Payments for vendors, employees and other costs	—	(55,719)	(395,017)	(7,423)	(2,399,312)	(5,694)	(52,365)	(2,915,530)	(127,276)
Payments of grants and loan guarantees	—	—	—	—	—	(198,136)	—	(198,136)	—
Other receipts	—	1,209	—	—	—	—	83	1,292	204
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(112,616)	(47,692)	428,088	(49,174)	186,029	(186,900)	27,344	245,079	32,915
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:									
Net advances from (to) other funds	—	(205)	—	—	—	—	363	158	—
Principal payments on other non-capital debt	—	—	—	—	—	(149,895)	—	(149,895)	—
Interest payments on other non-capital debt	—	—	—	—	—	(182,378)	—	(182,378)	—
Transfers in	—	—	87,715	—	—	836,747	1	924,463	—
Transfers out	(1,600)	—	(250,907)	—	(194,674)	—	—	(447,181)	—
Grants and other revenues	40,586	—	977	—	—	—	1,686	43,249	26
Bond issuance costs	—	—	—	—	—	—	(1,088)	(1,088)	—
Right-to-use lease interest	—	—	—	—	—	—	4,148	4,148	—
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	38,986	(205)	(162,215)	—	(194,674)	504,474	5,110	191,476	26
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Acquisition and construction of capital assets	(5,718)	(18,284)	(105,259)	—	(18,597)	—	(28,732)	(176,590)	(26,466)
Proceeds from disposal of capital assets	—	—	—	—	15	—	—	15	9,114
Principal paid on capital financing	(905)	(67)	(664)	—	(66,863)	—	(11)	(68,510)	(8,719)
Interest paid on capital financing	—	(4)	(59)	—	(5,468)	—	—	(5,531)	(5,101)
Transfers in	—	—	—	—	—	—	11,928	11,928	—
Capital contributions	—	—	—	—	—	—	6,104	6,104	—
Maintenance payments	—	—	—	—	—	—	(8,227)	(8,227)	—
Other income	—	—	—	—	—	—	1,100	1,100	—
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(6,623)	(18,355)	(105,982)	—	(90,913)	—	(17,838)	(239,711)	(31,172)
CASH FLOWS FROM INVESTING ACTIVITIES:									
Purchase of investments	(18,470)	(1,054,346)	(1,648,707)	(1,061,951)	(1,670,521)	—	(105,283)	(5,559,278)	(306,890)
Sales and maturities of investments	3,409	1,080,908	1,449,302	1,052,014	1,772,295	—	73,781	5,431,709	302,706
Investment earnings	24,979	39,305	38,944	59,279	16,222	102,363	15,266	296,358	2,494
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	9,918	65,867	(160,461)	49,342	117,996	102,363	(16,236)	168,789	(1,690)
NET INCREASE (DECREASE) IN CASH	(70,335)	(385)	(570)	168	18,438	419,937	(1,620)	365,633	79
CASH AT JULY 1, 2023	1,697,260	1,098	1,331	7,265	46,305	1,560,319	33,709	3,347,287	1,855
CASH AT JUNE 30, 2024 (including \$320 in restricted assets)	\$ 1,626,925	\$ 713	\$ 761	\$ 7,433	\$ 64,743	\$ 1,980,256	\$ 32,089	\$ 3,712,920	\$ 1,934

Commonwealth of Pennsylvania
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2024

(Amounts in thousands)

	Enterprise Funds								Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2023)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	
	Fund	(Dec. 31, 2023)	Fund	Fund	Fund	Authority	Funds	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES									
Operating income (loss)	\$ 292,318	\$ (49,816)	\$ 50,156	\$ (76,881)	\$ 233,623	\$ (205,666)	\$ (32,177)	\$ 211,557	\$ 27,699
Depreciation and amortization of capital assets	2,291	2,240	21,189	—	85,836	—	36,257	147,813	33,639
Amortization of other assets	—	—	—	—	—	—	3,893	3,893	—
Provision for uncollectible accounts	—	—	—	—	—	(1,717)	295	(1,422)	—
Other adjustments	—	—	—	—	—	—	—	—	(9,114)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:									
Unemployment assessments receivable	40,448	—	—	—	—	—	—	40,448	—
Accounts receivable	(28,725)	7,097	(2,776)	—	3,816	—	(20)	(20,608)	14
Interest on loans receivable	(562)	—	—	—	—	137	39	(386)	—
Loans receivable	—	—	—	—	—	14,639	11,187	25,826	—
Lease rental receivable	—	—	—	—	—	—	781	781	—
Other receivables	—	—	—	(4)	—	—	—	(4)	—
Due from other funds	(72)	—	227	5	(17)	—	5,980	6,123	4,675
Due from pension trust funds	215	—	—	—	—	—	—	215	(207)
Due from component units	—	—	—	—	—	—	—	—	(57)
Due from political subdivisions	(639)	—	—	—	—	—	—	(639)	(83)
Due from other governments	(6,242)	—	—	—	—	—	6	(6,236)	—
Inventory	—	—	—	—	(5,505)	—	—	(5,505)	2,608
Prepaid expenses	—	—	—	—	(241)	—	—	(241)	—
Other current and noncurrent assets	—	2	27	—	—	—	216	245	—
Deferred outflows	(16,193)	4,922	9,034	—	76,732	—	6,575	81,070	(1,558)
Accounts payable and accrued liabilities	(19,147)	2,534	209,964	(175)	(2,073)	(7)	8,440	199,536	(18,532)
Tuition benefits payable	—	—	—	27,855	—	—	—	27,855	—
Due to other funds	56	—	158,790	—	(55,277)	145	(94)	103,620	258
Due to pension trust funds	10	—	5	—	110	—	—	125	(7)
Due to component units	—	—	—	—	3	—	—	3	—
Due to political subdivisions	—	—	499	—	—	—	(2)	497	1
Due to other governments	(422,985)	—	(937)	—	102	—	1	(423,819)	1
Unearned revenue	—	(2,691)	(989)	—	—	—	81	(3,599)	—
Self-insurance liabilities	2,305	(198)	(320)	—	(898)	—	(166)	723	(214)
Compensated absences	—	31	281	26	1,654	—	253	2,245	(15)
Insurance loss liability	—	3,851	—	—	—	—	(231)	3,620	—
Other postemployment benefit liability	4,474	(9,796)	(11,495)	—	(108,203)	—	(8,806)	(133,826)	(1,963)
Nonexchange financial guarantees	—	—	—	—	—	5,569	—	5,569	—
Net pension liability	45,183	(3,489)	(3,153)	—	(35,991)	—	(3,388)	(838)	(6,602)
Other current and noncurrent liabilities	—	(2,073)	—	—	—	—	32	(2,041)	—
Deferred inflows	(5,351)	(306)	(2,414)	—	(7,642)	—	(1,808)	(17,521)	2,372
Total Adjustments	(404,934)	2,124	377,932	27,707	(47,594)	18,766	59,521	33,522	5,216
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (112,616)	\$ (47,692)	\$ 428,088	\$ (49,174)	\$ 186,029	\$ (186,900)	\$ 27,344	\$ 245,079	\$ 32,915
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:									
Increase (decrease) in fair value of investments during the fiscal year	\$ —	\$ 62,350	\$ —	\$ 137,383	\$ —	\$ —	\$ 7,119	\$ 206,852	\$ 779
Increase (decrease) in investment receivables	79	1,192	953	2,458	—	—	100	4,782	19
Increase in investment payables	—	(1,215)	—	4,121	(1,978)	—	—	928	—
Increase (decrease) in investments from changes in securities lending obligations	—	15,260	—	(56,927)	—	—	(3,381)	(45,048)	(370)
Disposals of capital assets	—	—	—	—	(17,455)	—	(288)	(17,743)	(535)
Right-to-use asset acquisitions	—	28	—	—	65,986	—	—	66,014	—
Right-to-use asset terminations	—	—	—	—	(1,811)	—	—	(1,811)	—
Amortization of bond premium/discount and deferred refunding loss (net)	—	—	—	—	—	(10,253)	—	(10,253)	—
Transfers from other funds (accruals)	—	—	—	—	—	43,496	14,804	58,300	—
Transfers to other funds (accruals)	—	—	—	—	(6,003)	—	—	(6,003)	—

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, 2024

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Custodial Funds	
		Custodial Funds	External Investment Pool INVEST Program for Local Governments Dec. 31, 2023
ASSETS			
Cash—Note 2	\$ 356,732	\$ 24,591	\$ 2,750
Cash with fiscal agents	—	14,869	—
Temporary investments—Note 2	264,368	124,184	1,431,200
Long-term investments—Note 2	1,262,281	5,805,296	—
Short-term funds—Note 2	7,881,796	—	—
Corporate obligations—Note 2	2,998,675	—	—
Collective trust funds—Note 2	17,490,951	—	—
Real estate—Note 2	10,399,226	—	—
Alternative—Note 2	26,509,175	—	—
Securities lending collateral—Note 2	156,887	—	—
Asset-backed securities—Note 2	721,904	—	—
Domestic equities—Note 2	25,702,253	—	—
International equities—Note 2	9,136,136	—	—
International public debt securities—Note 2	460,010	—	—
Mortgage-backed securities—Note 2	364,770	—	—
Private placements—Note 2	115,982	—	—
U.S. Treasury obligations—Note 2	15,429,830	—	—
U.S. government agency debt securities—Note 2	38,157	—	—
Receivables (net):			
Taxes—Note 3	—	78,322	—
Accounts	—	743,797	—
Investment earnings	401,028	256	—
Interest on notes and loans	—	—	4,247
Pension contributions	1,835,561	—	—
Investment sale proceeds	898,363	1,659	7,762
Other	50,889	—	—
Due from other funds—Note 5	25,245	—	—
Due from pension trust funds—Note 5	3,966	—	—
Due from component units—Note 5	2,984	—	—
Due from political subdivisions	3,868	—	—
Due from other governments	8,411	—	—
Depreciable or amortizable capital assets:			
Machinery and equipment	13,324	—	—
Intangible right-to-use assets	68,515	—	—
Other intangible assets	45,264	—	—
Less: accumulated depreciation and amortization	(72,272)	—	—
Net depreciable or amortizable capital assets	54,831	—	—
Other assets	29,677	566,708	—
TOTAL ASSETS	122,603,956	7,359,682	1,445,959
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3	33,650	—	—
LIABILITIES			
Accounts payable and accrued liabilities	183,168	37,726	131
Investment purchases payable	1,325,142	889	10,513
Securities lending obligations	421,255	1,495	—
Due to other funds—Note 5	563	—	—
Due to pension trust funds—Note 5	4,726	—	—
Due to political subdivisions	—	154,744	—
Interest payable	41	—	6,382
Other postemployment benefit liability—Note 10	48,787	—	—
Net pension liability—Note 9	91,488	—	—
Right-to-use liability—Note 6,14	46,877	—	—
Other liabilities	946,444	5,825	—
TOTAL LIABILITIES	3,068,491	200,679	17,026
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3	26,140	—	—
NET POSITION			
Restricted for:			
Pension benefits	113,463,676	—	—
Postemployment healthcare benefits	1,594,398	—	—
Employee salary deferrals	4,484,901	—	—
INVEST Program participants	—	—	1,428,933
Tuition Account Investment Program participants	—	5,400,944	—
Beneficiaries	—	1,758,059	—
TOTAL NET POSITION	\$ 119,542,975	\$ 7,159,003	\$ 1,428,933

- 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, 2024

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Custodial Funds	
		Custodial Funds	External Investment Pool INVEST Program for Local Governments Dec. 31, 2023
ADDITIONS:			
Contributions:			
Pension:			
Employer	\$ 8,351,894	\$ —	\$ —
Employee	2,331,126	—	—
Transfer in from other plans	106,257	—	—
Total contributions	<u>10,789,277</u>	<u>—</u>	<u>—</u>
Investment earnings:			
Net increase (decrease) in fair value of investments	9,013,987	452,680	—
Interest income	1,132,892	169,061	65,328
Dividend income	727,507	—	—
Rental and other income	399,120	—	—
Total investment activity earnings	<u>11,273,506</u>	<u>621,741</u>	<u>65,328</u>
Less investment expenses:			
Investment activity expense	(592,511)	(1,099)	(1,405)
Net investment earnings	<u>10,680,995</u>	<u>620,642</u>	<u>63,923</u>
Securities lending activities:			
Income	93,045	—	—
Expenses	(86,619)	—	—
Total securities lending income	<u>6,426</u>	<u>—</u>	<u>—</u>
Total net investment earnings	<u>10,687,421</u>	<u>620,642</u>	<u>63,923</u>
Share transactions (at net asset value of \$1.00 per share):			
Shares issued in lieu of cash distributions	—	—	51,626
Shares purchased/redeemed (net)	—	181,816	362,116
Net increase in net position from share transactions	<u>—</u>	<u>181,816</u>	<u>413,742</u>
Tax collections for other governments	—	1,443,671	—
Member resources	—	115,215	—
Other additions	—	124,305	—
TOTAL ADDITIONS	<u>21,476,698</u>	<u>2,485,649</u>	<u>477,665</u>
DEDUCTIONS:			
Benefit payments	12,902,970	—	—
Refunds of contributions	73,279	—	—
Transfers to other plans	235,269	—	—
Administrative expenses	142,841	29,288	—
Payments of taxes to other governments	—	1,446,753	—
Distributions to participants	12,762	—	73,496
Member/claimant distributions	—	115,170	—
Other expenses	5,332	7,079	—
TOTAL DEDUCTIONS	<u>13,372,453</u>	<u>1,598,290</u>	<u>73,496</u>
CHANGE IN FIDUCIARY NET POSITION:			
Pension benefits	7,436,467	—	—
Postemployment healthcare benefits	178,496	—	—
Employee salary deferrals	489,282	—	—
INVEST program participants	—	—	404,169
Tuition Account Investment Program participants	—	771,836	—
Beneficiaries	—	115,523	—
TOTAL CHANGE IN FIDUCIARY NET POSITION	<u>8,104,245</u>	<u>887,359</u>	<u>404,169</u>
NET POSITION, JULY 1, 2023	<u>111,438,730</u>	<u>6,271,644</u>	<u>1,024,764</u>
TOTAL NET POSITION, JUNE 30, 2024	<u>\$ 119,542,975</u>	<u>\$ 7,159,003</u>	<u>\$ 1,428,933</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, 2024

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2024)	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	State System of Higher Education	Nonmajor Discretely Presented Component Units	Total
ASSETS							
Current assets:							
Cash—Note 16	\$ 1,273,422	\$ 1,299,049	\$ 22,478	\$ 274,703	\$ 157,828	\$ 25,621	\$ 3,053,101
Cash with fiscal agents	—	—	—	—	—	302	302
Temporary investments—Note 16	904,071	45,755	1,046,546	1,579,543	418,638	420,415	4,414,968
Receivables (net):							
Accounts	157,338	—	40,813	716	101,122	19,270	319,259
Investment earnings	20,048	3,972	1,123	2,954	—	187	28,284
Interest on notes and loans	—	23,630	103,189	5,223	—	2,639	134,681
Loans—Note 16	—	145,909	462,620	199,583	439	33,854	842,405
Lease rentals	1,621	—	—	—	1,512	271	3,404
Other	—	47,235	—	—	48,467	558	96,260
Due from primary government—Note 5	9,520	427	2	—	4,405	2,162	16,516
Due from component units—Note 5	—	1,552	—	625	—	—	2,177
Due from Federal Government	—	—	1,526	9,884	—	5,426	16,836
Due from other governments	94	—	—	—	—	—	94
Inventory	25,025	—	—	—	—	1,038	26,063
Prepaid expenses	—	—	7,754	—	54,027	1,356	63,137
Other assets	—	4,015	24,265	—	10,705	—	38,985
Total current assets	<u>2,391,139</u>	<u>1,571,544</u>	<u>1,710,316</u>	<u>2,073,231</u>	<u>797,143</u>	<u>513,099</u>	<u>9,056,472</u>
Noncurrent assets:							
Restricted cash	—	—	—	—	54,383	1,153	55,536
Long-term investments—Note 16	824,356	367,364	—	—	1,360,545	23,943	2,576,208
Receivables (net):							
Loans—Note 16	—	5,400,999	1,381,197	2,684,282	750	294,551	9,761,779
Lease rentals	46,564	—	—	—	15,057	5,539	67,160
Non-depreciable capital assets—Note 16							
Land	485,043	2,454	8,179	—	33,777	3,190	532,643
Construction in progress	2,096,118	—	—	—	69,443	17,821	2,183,382
Depreciable or amortizable capital assets—Note 16							
Land improvements	196,423	—	—	—	356,676	13,164	566,263
Buildings and building improvements	1,176,281	60,684	72,924	—	3,873,365	835,784	6,019,038
Machinery and equipment	664,015	12,485	34,602	—	565,010	248,445	1,524,557
Turnpike infrastructure	10,864,934	—	—	—	—	—	10,864,934
Library books	—	—	—	—	70,107	394	70,501
Other capital assets	—	—	—	—	—	2	2
Intangible right-to-use assets	12,930	10,183	27,255	—	170,643	17,748	238,759
Other intangible assets	—	—	73,154	—	—	1,888	75,042
Less: accumulated depreciation and amortization	(7,630,043)	(30,521)	(152,973)	—	(2,515,284)	(588,256)	(10,917,077)
Net depreciable or amortizable capital assets	<u>5,284,540</u>	<u>52,831</u>	<u>54,962</u>	<u>—</u>	<u>2,520,517</u>	<u>529,169</u>	<u>8,442,019</u>
Other assets	200,946	60,897	—	—	914,545	6,376	1,182,764
Total noncurrent assets	<u>8,937,567</u>	<u>5,884,545</u>	<u>1,444,338</u>	<u>2,684,282</u>	<u>4,969,017</u>	<u>881,742</u>	<u>24,801,491</u>
TOTAL ASSETS	<u>11,328,706</u>	<u>7,456,089</u>	<u>3,154,654</u>	<u>4,757,513</u>	<u>5,766,160</u>	<u>1,394,841</u>	<u>33,857,963</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 16	<u>417,115</u>	<u>40,550</u>	<u>90,309</u>	<u>3,552</u>	<u>349,364</u>	<u>22,565</u>	<u>923,455</u>

Commonwealth of Pennsylvania
Statement of Net Position
Discretely Presented Component Units
June 30, 2024

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2024)	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	\$ 335,437	\$ 2,695	\$ 125,584	\$ 7,663	\$ 198,144	\$ 30,827	\$ 700,350
Securities lending obligations	—	—	—	36,775	—	906	37,681
Due to primary government—Note 5	5,244	—	1,362	16,550	965	29,666	53,787
Due to component units—Note 5	—	625	—	1,552	—	—	2,177
Due to other governments	—	—	—	—	—	1	1
Interest payable	348,783	48,161	5,298	—	3,196	245	405,683
Unearned revenue	127,894	—	19	—	83,452	8,115	219,480
Notes payable—Note 16	—	3,334	214,640	—	8,238	—	226,212
Bonds Payable—Note 16	—	2,000	—	8,485	90,720	—	101,205
Revenue bonds payable—Note 16	411,085	151,469	—	—	—	13,780	576,334
Self-insurance liabilities	6,435	—	—	—	5,998	—	12,433
Compensated absences	9,751	—	—	142	17,418	903	28,214
Other financing obligations—Note 16	—	—	—	—	—	1,833	1,833
Other postemployment benefit liability—Note 16	—	—	—	—	49,323	1,144	50,467
Lease liability	3,001	2,625	10,682	—	21,872	1,622	39,802
Other liabilities	—	327,159	24,261	—	122,995	2	474,417
Total current liabilities	1,247,630	538,068	381,846	71,167	602,321	89,044	2,930,076
Noncurrent liabilities:							
Due to primary government—Note 5	—	—	—	28,046	—	—	28,046
Unearned revenue	—	—	—	—	672	—	672
Notes payable—Note 16	—	20,416	1,669,790	—	199,947	—	1,890,153
Bonds Payable—Note 16	—	25,000	—	—	2,234,116	—	2,259,116
Revenue bonds payable—Note 16	17,018,142	5,399,976	—	65,233	—	—	22,483,351
Other financing obligations—Note 16	—	—	—	—	—	10,683	10,683
Compensated absences	7,978	—	12,837	695	106,472	2,780	130,762
Self-insurance liabilities	30,524	—	—	—	15,206	—	45,730
Other postemployment benefit liability—Note 16	—	84,962	141,121	3,149	1,126,889	24,159	1,380,280
Net pension liability—Note 16	296,572	33,040	226,316	9,420	940,306	41,523	1,547,177
Lease liability	2,688	2,492	2,356	—	52,683	13,628	73,847
Other liabilities	16,352	510,865	—	—	52,459	327	580,003
Total noncurrent liabilities	17,372,256	6,076,751	2,052,420	106,543	4,728,750	93,100	30,429,820
TOTAL LIABILITIES	18,619,886	6,614,819	2,434,266	177,710	5,331,071	182,144	33,359,896
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 16	455,566	55,191	223,945	2,512	763,487	24,932	1,525,633
NET POSITION							
Net investment in capital assets	(1,328,484)	23,168	50,103	—	976,447	533,056	254,290
Restricted for:							
Health-related programs	—	—	—	—	—	73,036	73,036
Capital projects	279,321	—	—	4,580,843	60,601	—	4,920,765
Debt service	91,275	201,980	273,328	—	—	24,039	590,622
Economic development	—	—	—	—	—	121,094	121,094
Higher education	—	—	263,321	—	774,166	—	1,037,487
Other purposes	173,457	601,481	—	—	—	30,163	805,101
Unrestricted	(6,545,200)	—	—	—	(1,790,248)	428,942	(7,906,506)
TOTAL NET POSITION (DEFICIT)	\$ (7,329,631)	\$ 826,629	\$ 586,752	\$ 4,580,843	\$ 20,966	\$ 1,210,330	\$ (104,111)

- 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, 2024

(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, 2024)	Agency	Agency	Authority		Units	Total
Expenses	\$ 1,720,329	\$ 1,023,011	\$ 783,509	\$ 140,653	\$ 2,159,394	\$ 271,547	\$ 6,098,443
Program revenues:							
Charges for goods and services	1,666,871	347,876	348,392	35,651	1,140,354	133,093	3,672,237
Operating grants and contributions	139,863	722,745	522,795	220,765	1,379,313	143,014	3,128,495
Capital grants and contributions	168,054	—	—	51,135	43,107	25,669	287,965
TOTAL PROGRAM REVENUES	1,974,788	1,070,621	871,187	307,551	2,562,774	301,776	7,088,697
Net (expense) revenue	254,459	47,610	87,678	166,898	403,380	30,229	990,254
CHANGE IN NET POSITION	254,459	47,610	87,678	166,898	403,380	30,229	990,254
TOTAL NET POSITION (DEFICIT), JUNE 30, 2023, previously reported	(7,584,615)	779,019	499,074	4,413,945	(375,568)	1,180,227	(1,087,918)
PRIOR PERIOD RESTATEMENT	525	—	—	—	(6,846)	(126)	(6,447)
TOTAL NET POSITION (DEFICIT), JUNE 30, 2023 (restated)—Note 16	(7,584,090)	779,019	499,074	4,413,945	(382,414)	1,180,101	(1,094,365)
TOTAL NET POSITION (DEFICIT), JUNE 30, 2024	\$ (7,329,631)	\$ 826,629	\$ 586,752	\$ 4,580,843	\$ 20,966	\$ 1,210,330	\$ (104,111)

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

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

The basic financial statements of the Commonwealth of Pennsylvania (the Commonwealth) have been prepared in accordance with accounting principles generally accepted in the United States applicable to governments. The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting requirements for governments. There may be rounding differences between amounts reported in the basic financial statements section and amounts reported in other sections of the Annual Comprehensive Financial Report (ACFR). Also note that 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, 2024. 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 are 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 the 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 are 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 aggregate in the government-wide financial statements is 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 Deputy Secretary, 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 is expected to be repaid entirely or almost entirely with the 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 the resources of the PG.

Philadelphia Regional Port Authority (PRPA) - The PRPA operates a port facility and manages port-related activities to promote commerce and economic development in southeastern Pennsylvania. The PRPA charges rental and other fees to port users and obtains funding from the PG. The PRPA also issues revenue bonds to finance its activities. The Governor must approve the issuance of its debt. The PG appoints all eleven voting board members and can remove board members at will. The PG provides operating and capital subsidies. Any outstanding debt or future debt issued by PRPA would be expected to be repaid entirely or almost entirely with the 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, a 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, 2023.

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 a 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 non-employer 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 are such that the 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 Broadband Development Authority (PBDA) - The PBDA was created to provide broadband internet access to unserved and underserved residents, providing for powers and duties of the authority and for grant awards. PBDA will also help manage the funds to support the construction of new towers, lines and broadband equipment. The PG is responsible for appointing a voting majority of the Board. The Secretary of Agriculture, DCED, Education, DGS and Budget will serve as ex-officio members along with four members appointed by the President Pro Tempore of the Senate, Minority Leader of the Senate, Speaker of the House of Representatives and Minority Leader of the House. The PG, through the Department of Community & Economic Development (DCED) will be modifying and approving the Authority's budget which cannot be determined without the Commonwealth's approval. DCED will also provide administrative services and staff including counsel and legal staff to the Authority and Board.

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, 2024.

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 for the PG. The PHFA is fiscally dependent on the PG, as the Governor must approve the issuance of its debt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2024, lending institutions and post-secondary schools were involved in the loan program. The PG funds the PHEAA grant program, and 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.

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 or loan payments from the schools. All nine voting members of the SPSBA and the PHEFA governing boards are PG's high-ranking officials, who are ex-officio board members by virtue of their position. The PG's Department of Education approves the SPSBA's projects, which indicates the imposition of will.

Ben Franklin Technology Development Authority (BFTDA) - The BFTDA encourages and coordinates programs and investments that 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 the 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, 2023.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 an 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, 2024, 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 and provides all management and administrative services to the PEDFA, as well as appointing 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 money into the Commonwealth's **General Fund** and the PEDA may requisition money 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.

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 the 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 in 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Primary Government - Fund Structure**

Fund Accounting: In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash and/or other resources together with all related liabilities and equities. The purpose of a fund is to carry on specific activities or attain 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 the 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 the financial statements of proprietary funds 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), to be recovered with fees and charges; or

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

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

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

The **State Workers' Insurance Fund (SWIF)** was created by legislation on June 2, 1915 and operates within the Department of Labor and Industry. It is a self-sustaining fund providing workers' compensation insurance to employers, including those who are refused policies by private insurance firms. The **SWIF** is subject to underwriting rules, classifications, and rates promulgated by rating bureaus authorized by the Commonwealth Insurance Commissioner. Premium rates are established by the bureaus based on the history of accidents by industry classification. Revenues are generated by premiums charged to policyholders plus investment earnings. Workers' compensation payments and administration costs are paid from the **SWIF**. The **SWIF** is reported for its fiscal year ended December 31, 2023.

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 the enforcement of the Liquor Control Law.

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

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

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

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

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

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, and 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, 2023.

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, 2023. Audited financial statements for the INVEST 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 this 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 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 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, that generates the revenue. Charges for goods or services, most investment earnings, grant revenues, and fines are reported as program revenues. Neither program revenues nor expenses are reported for donated works of art, historical treasures, or similar assets received during the fiscal year because such donations are not material. All tax revenues, except for unemployment compensation tax revenues, which are reported as charges for sales and services program revenues, are classified as general revenues in the statement of activities. The statement of activities also reports governmental activities expenses that include governmental fund expenditures (those which are not eliminated or reclassified) and current year depreciation on capital assets, which recognizes the cost of ordinary use of the assets over their estimated useful lives. The costs of most employee benefits earned during the fiscal year (such as vacation time earned) and increases in self-insurance liabilities are also reported as expenses in the statement of activities when incurred, regardless of when the benefits are used or the liabilities are paid.

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

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

Expenditures are generally recognized in the fiscal year in which 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 they are due. Prepaid items and inventory purchases are reported as current fiscal year expenditures rather than allocating a portion of related costs 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)

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

Significant Accounting Policies

Pooled Cash: In accordance with the Fiscal Code, the 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 the 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 their acquisition value at the time of the 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 purposes 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 deaccession 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 expenses are 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 are 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 or amortization expenses 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Right-to-use Arrangements: Right-to-use arrangements are contracts that convey control of the right to use another party's asset for a period of time. The two types of right-to-use arrangements that the Commonwealth frequently enters into are leases and subscription-based information technology arrangements (SBITAs). The Commonwealth of Pennsylvania routinely engages in lease agreements to meet operational needs or serve the general public. The Commonwealth's lease contracts generally relate to land, buildings, and associated facilities, such as parking and various machinery and equipment. SBITAs are also entered into to meet operational needs and are generally cloud-based services such as software as a service, platform as a service, and infrastructure as a service. For short-term right-to-use arrangements with a maximum possible term of 12 months or less at commencement, the Commonwealth recognizes periodic revenue (leases only) or expense based on the provisions of the right-to-use contract. For all other contracts where the Commonwealth is the lessee/user, the Commonwealth recognizes a liability and an intangible right-to-use asset based on the present value of future payments over the agreed-upon term of the contract. Right-to-use assets are reported with capital assets, and liabilities are reported as long-term debt in the statement of net position. The right-to-use assets are amortized over the term of the contract, as the Commonwealth is not expected to lease or subscribe to assets beyond the underlying asset's useful life. On a more limited basis, the Commonwealth also serves as a lessor, providing leases of state-owned land and buildings primarily through the Department of Conservation and Natural Resources and the Philadelphia Regional Port Authority (a blended CU). The financial statements recognize a lease receivable and a deferred inflow of resources, based on the present value of the future lease payments expected to be received during the contracted lease term, and the deferred inflow of resources is amortized evenly over the life of the lease.

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

A minimum dollar threshold was established for right-to-use asset reporting:

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Interfund Transactions: The Commonwealth has the following types of transactions: between funds; between 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 or due 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 the fund financial statements and the statement of activities.

Interfund Balances: Amounts due from or due 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 and payables at June 30, 2024 and transfers in and out during the fiscal year

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ended June 30, 2024 are presented in Note 5. Interfund balances between two governmental funds or two proprietary funds are not reported in the statement of net position.

Investment Earnings: Investment earnings include interest, dividends, realized gains and losses, and the change in the fair value of investments, if any, during the fiscal year. If the change in the fair value of investments decreases during any specific fiscal year, such decreases could cause reported overall investment earnings to be negative within specific funds. Similarly, realized losses could cause reported overall investment earnings to be negative within specific funds. Certain investment earnings from specific funds' investments are assigned to another fund and reported by the receiving fund if the income is transferred for legal or contractual reasons; otherwise, the investment earnings are 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 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 as a non-employer 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 as pension expenses. 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), the Pennsylvania House of Representatives Postemployment Benefits Plan (House), and the Senate of Pennsylvania Other Postemployment Benefits Plan (Senate). The Commonwealth participates as a governmental non-employer 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 as OPEB expenses. 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 that 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, 2024.

Bonds Issued, Premium/Discount on Bonds Issued, and Bond Issuance Costs: In governmental fund financial statements, the face amount of bonds issued and related premiums or discounts are separately reported as other financing sources or 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 the related premium or discount is amortized over the life of the outstanding debt and is

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

reported as an interest expense as part of functional governmental activities expenses. Bond issuance costs are reported as expenses in the period incurred.

Restricted Net Position: These amounts were determined based on enabling legislation, externally restricted by creditors, grantors, contributions, or laws that provide for restrictions on how the resources of special (non-**General Fund**) funds may be used. At June 30, 2024, a portion of governmental activities net position was restricted based on a Federal Government purpose restriction.

Reclassifications: Certain amounts in the June 30, 2023 financial statements have been reclassified to conform to the June 30, 2024 presentation. These reclassifications had no effect on the net position or the changes thereto.

Governmental Funds Fund Balance Categories**Nonspendable:**

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

Spendable Categories:

Restricted: Amounts that 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 balances.

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 delegated 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 the 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

New Accounting Pronouncements - Adopted:

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

The GASB issued Statement No. 100, "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62" in June 2022. The standard defines what constitutes as an accounting change and error correction and provides the financial reporting requirements that go along with each. The impacts of previously reported net position and fund balance of our discretely presented component units are summarized in Note 16. The adoption of this statement had no effect on previously reported amounts of the primary government.

New Accounting Pronouncements - To Be Adopted:

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

The GASB issued Statement No. 102, "Certain Risk Disclosures" requiring state and local governments to disclose information regarding certain concentrations or constraints that have occurred or are likely to occur and make a government vulnerable to a substantial impact.

The GASB issued Statement No. 103, "Financial Reporting Model Improvement" in April 2024. The standards introduces new accounting and financial reporting requirements and revises existing requirements that are essential for decision making and evaluating government accountability.

The GASB issued Statement No. 104, "Disclosure of Certain Capital Assets" in September 2024. The standard establishes note disclosure requirements for certain capital assets held for sale.

The new standards must be adopted as follows:

- GASB Statement No. 101 Effective July 1, 2024 for financial statements for fiscal year ending June 30, 2025.
- GASB Statement No. 102 Effective July 1, 2024 for financial statements for fiscal year ending June 30, 2025.
- GASB Statement No. 103 Effective July 1, 2025 for financial statements for fiscal year ending June 30, 2026.
- GASB Statement No. 104 Effective July 1, 2025 for financial statements for fiscal year ending June 30, 2026.

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 or 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 standards in the management of their own affairs and it must not be in regard to speculation but in regard to the permanent disposition of the funds, considering the probable income to be derived therefrom as well as the probable safety of their capital. Treasury Department deposits and investments may include equity securities and mutual funds.

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

The Treasury Department has created Pools 999, 998, 993, and 920 within the CIP, each with its own distinct investment strategies, goals, and holdings that reflect the differing needs of Commonwealth funds for income, cash flows, and risk tolerance. A highly liquid vehicle, Pool 999, consists of short-term fixed-income securities and cash, which provide a high degree of liquidity and security but only modest returns. Shares in this pool are classified as temporary investments. A less liquid vehicle, Pool 998, allows for investment in assets that offer potentially higher returns with commensurate risk. Shares in this pool are classified as long-term investments. Pool 993 is the Commonwealth's Rainy Day Fund and is invested to take advantage of the non-immediate need for cash, but in a manner that maintains a high degree of safety and liquidity. Pool 920 was created to manage the monies of the Medical Marijuana Program Fund.

Other Investing Organizations

Certain investing organizations have statutory authority, which is comparable to the Treasury Department's 'prudent person' authority above. The investments of such organizations are accounted for in the following funds: Workmen's Compensation, Workers' Compensation Security Trust, **State Workers Insurance Fund (SWIF)**, **Tuition Payment**, PA 529 Tuition Account Investment Program (also known as Pennsylvania 529 College and Career Savings Program), PA 529 Tuition Account Guaranteed Savings Program (also known as PA 529 Guaranteed Savings Plan), **Commonwealth Financing Authority (CFA)**, Pennsylvania Industrial Development Authority (PIDA), INVEST Program for Local Governments (INVEST Program), and Underground Storage Tank Indemnification (collectively, other investing organizations). Most of the other investing organizations establish contractual arrangements with investment managers, which identify investment objectives without providing strict limitations on 'allowable' investment purchases. Most of the other investing organizations prohibit investing in certain assets, such as commodities and futures contracts, private placements (except Section 144), and limited partnerships. Several of the organizations also prohibit short selling and margin transactions. An exception includes **Tuition Payment**; this organization permits some or all of the previously mentioned prohibited assets and transactions as well as foreign investments. **SWIF** and INVEST Program amounts are reported as of December 31, 2023 unless otherwise noted.

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

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

Pension trust funds avoid deposit risks as such deposits must be authorized by the Treasury Department. Several state laws govern investment authority for the SERS and the PSERS; such laws provide 'prudent person' investing authority. Allowable DCP investment options are established by the SERS under its applicable statutory authority. A material portion of total pension trust fund investments consists of equity securities, real estate, and fixed-income investments. The SERS and DCP are reported as of December 31, 2023.

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 the Statutory Liquidator Fund's holdings is invested in the CIP.

Fair Value of Investments**Treasury Department**

The Commonwealth of Pennsylvania Treasury (COPA) 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.
- 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, 2024:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Debt Securities				
Corporate obligations	\$ 3,503,076	\$ —	\$ 3,503,076	\$ —
U.S. Treasury obligations	9,143,732	9,143,732	—	—
Mortgage backed securities	1,191,291	—	1,191,291	—
Private placements	611,771	—	611,771	—
State and municipal obligations	22,509	—	22,509	—
Asset-backed securities	51,175	—	51,175	—
U.S. government sponsored enterprises	2,982,981	—	2,982,981	—
Commercial paper	9,057,075	—	9,057,075	—
Sovereign debt	72,890	—	72,890	—
Equity Securities				
Equity	3,427,178	3,391,108	—	36,070
Preferred securities	5,674	2,420	3,254	—
Other				
Certificates of deposits	955,897	—	955,897	—
Mutual funds	1,132,870	1,132,870	—	—
Money market mutual funds	14,101,364	12,966,473	1,134,891	—
Total investments by fair value level	\$ 46,259,483	\$ 26,636,603	\$ 19,586,810	\$ 36,070
Investments by Net Asset Value (NAV)				
Real estate alternative managers	81,114			
Fund of funds alternative managers	29,140			
Private equity alternative managers	90,940			
Absolute return alternative managers	215			
Total investments at NAV	201,409			
Total investments measured at fair value	\$ 46,460,892			

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. 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 and Treasury Pooled investments. For Treasury Pooled investments, the underlying investments for the pools consist of 53% Level 1 securities and 47% Level 2 securities. 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⁾	\$ 81,114	\$ —	Monthly	n/a, 30-60 days
Fund of funds alternative managers ⁽²⁾	29,140	15,794	Monthly, Quarterly	n/a, 45-90 days
Private equity alternative managers ⁽³⁾	90,940	6,177	n/a	n/a, 60 days
Absolute return alternative managers ⁽⁴⁾	215	—	n/a	n/a, 60 days
Total investments at NAV	\$ 201,409	\$ 21,971		

(1) Real Estate Managers - This type of investment seeks 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 million, Develop, DC, the invested funds cannot be withdrawn until the agreement expires.

(2) Fund of Fund Managers - This type of investment 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 pursues 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)

SERS measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. The guidelines use a fair value hierarchy that 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, foreign exchange contracts, and the Defined Contribution Plan's target date funds, commingled public equity funds, commingled fixed income funds, and self-directed brokerage account are valued using prices quoted in active markets for those securities and are categorized as Level 1. They are marked-to-market daily with changes in fair value recognized as part of investments and investment income. Most fixed income securities are valued using a matrix pricing technique and are categorized as Level 2. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices and recently printed security specific trading levels. Value add/opportunistic separately managed accounts (SMA) in real estate, certain fixed income securities, and other securities classified in Level 3 reflect prices which may use several unobservable inputs, using assumptions based on market methodologies to determine the fair value of

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

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

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

The SERS has the following fair value measurements as of December 31, 2023:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Defined Benefit Plan				
Fixed Income				
Agencies	\$ 38,157	\$ —	\$ 38,157	\$ —
Asset and mortgage backed securities	373,911	—	373,901	10
Corporates	1,221,523	—	1,211,955	9,568
Government	3,618,955	—	3,618,955	—
Sovereign debt	123,479	—	123,479	—
Private placements	115,982	—	113,385	2,597
Equity				
Domestic common and preferred stocks	11,934,623	11,932,010	2,613	—
Foreign common and preferred stocks	971,494	971,494	—	—
Real Estate				
Value add/opportunistic SMA	402,335	—	—	402,335
Other Investments	360	69	291	—
Total investments by fair value level	\$ 18,800,819	\$ 12,903,573	\$ 5,482,736	\$ 414,510

Investments by Net Asset Value (NAV)

Buyouts private equity	\$ 3,678,808
Growth equity private equity	1,176,945
Legacy private credit	403,200
Legacy private equity	194,080
Special situations private equity	1,746,895
Core/core plus real estate	1,109,027
Value add/opportunistic real estate	741,268
Opportunistic fixed income hedge funds	856,850
Legacy hedge funds	16,252
Commingled public equity funds	5,745,462
Commingled fixed income funds	1,176,563
Total investments at NAV	16,845,350
Total investments measured at fair value	\$ 35,646,169

Investments by Fair Value Level	Total	Level 1
Defined Contribution Plan		
Target date funds	\$ 162,519	\$ 162,519
Commingled public equity funds	16,012	16,012
Commingled fixed income funds	2,839	2,839
Other investments	220	220
Total investments measured at fair value	\$ 181,590	\$ 181,590

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

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

- Buyouts are investments in established businesses that are undergoing a fundamental change in operations or strategy.
- 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.
- Growth Equity consists of private equity investments in late-stage ventures, minority growth equity, and small buyout strategies.
- Legacy Private Equity consists of a consolidation of private equity funds from various sub-asset classes (Buyouts, Special Situations, and Growth Equity) that were not considered part of SERS core investment strategy. These assets are currently being managed by a third-party administrator which provides day-to-day oversight of operations.
- Legacy Private Credit Funds are closed-end (drawdown) limited partnership structures, often with a significant contractual cash flow component, with liquidity events in five to ten years. SERS no longer has an asset allocation targeting this strategy as a stand-alone asset class.

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

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

- Core/Core Plus are long-term investments in high-quality real estate that generate returns primarily from stable income producing properties. These are open-ended funds.
- Value Add/Opportunistic Funds utilize greater leverage and development strategies relative to core strategies, thereby taking higher risks but demanding 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.
- Legacy Real Assets differ from real estate in that they focus on real assets other than real estate, but maintain the characteristics of collateralization by hard assets and income-producing potential. The remaining assets in this category were liquidated in 2023.

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

- Opportunistic Fixed Income are investments that include directional and relative value investments through various structures, excluding closed-end funds, that may include debt securities, credit derivatives and related instruments, and/or multi-sector fixed income funds.

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

- Legacy Hedge Funds include hedge funds that SERS is no longer actively investing in. The assets are to be sold in an orderly fashion as market conditions dictate.

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

The SERS has the following investments measured at the Net Asset Value (NAV) as of December 31, 2023:

Defined Benefit Plan	Fair Value	Unfunded Commitments	Redemptions Frequency	Redemption Notice Period
Buyouts private equity	\$ 3,678,808	\$ 1,232,599	n/a	n/a
Growth equity private equity	1,176,945	274,694	n/a	n/a
Legacy private credit	403,200	166,430	n/a	n/a
Legacy private equity	194,080	31,729	n/a	n/a
Special situations private equity	1,746,895	932,987	n/a	n/a
Core/core plus real estate	1,109,027	21,869	Quarterly	60 - 90 days
Value add/opportunistic real estate	741,268	429,845	n/a	n/a
Opportunistic fixed income hedge funds	856,850	—	Quarterly	95 days
Legacy hedge funds	16,252	—	see note (1)	see note (1)
Commingled public equity funds	5,745,462	—	Daily	30 days
Commingled fixed income funds	1,176,563	—	Daily	1 day
Total investments at NAV	\$ 16,845,350	\$ 3,090,153		

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

The SERS also has short-term 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. Additionally, there are other short-term investments valued at cost. The value of the SERS Defined Benefit Plan and Defined Contribution Plan portions of the STIF were \$950,500 and \$9,600, respectively, as of December 31, 2023.

Deferred Compensation Program (DCP)

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

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

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

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

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, the Short-Term Investment Fund, the Commonwealth Treasury Department’s short-term investment fund (STIF), and a group annuity contract totaling \$125,229 for December 31, 2023. The Short-Term Investment Fund and STIF are valued at amortized cost, with the total value of the fund being apportioned to the DCP based on units of ownership. The group annuity contract, which is no longer offered to participants, is valued at contract value. The 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, 2023:

Investments by Fair Value Level	Level 1
Self directed brokerage accounts	\$ 165,582
Commingled investment funds	
Target date funds	867,435
U.S. large company stock index fund	1,437,650
U.S. small/mid company index fund	431,263
U.S. bond index fund	222,842
Global non-U.S. stock index fund	200,320
Total investments by fair value level	\$ 3,325,092
 Investments by Net Asset Value (NAV)	
Stable value fund	\$ 1,037,338
Total investments measured at fair value	\$ 4,362,430

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 volatility, 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, 2024, 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	\$ 6,039,011	\$ 4,341,913	\$ 1,697,098	\$ —
Other domestic short-term	482,003	421,951	60,052	—
International short-term	51,470	43,410	8,060	—
Fixed income				
Domestic asset-backed and mortgage backed securities	712,763	—	712,763	—
U.S. government and agency obligations	11,810,875	11,229,405	581,470	—
Domestic corporate and taxable municipal bonds	1,777,152	928,831	848,321	—
International fixed income	336,531	—	336,531	—
Common and preferred stock				
Domestic equity	13,767,270	13,767,220	50	—
International equity	8,164,642	8,164,642	—	—
Directly owned real estate	1,482,406	—	—	1,482,406
Total investments by fair value level	<u>\$ 44,624,123</u>	<u>\$ 38,897,372</u>	<u>\$ 4,244,345</u>	<u>\$ 1,482,406</u>
Investments by Net Asset Value (NAV)				
Collective trust funds - fixed income	2,518,078			
Collective trust funds - equity	2,424,671			
Collective trust funds - other	905,424			
Equity real estate	4,220,550			
Private infrastructure	2,443,640			
Private equity alternative investments	12,481,672			
Private credit alternative investments	5,700,508			
Absolute return alternative investments	253,965			
Total investments at NAV	<u>30,948,508</u>			
Total investments measured at fair value	<u>\$ 75,572,631</u>			
Investment derivative instruments				
Futures	62,547	62,547		
Total return type swaps	(16,880)	(16,880)		
Foreign exchange contracts	40,745	40,745		
Options	4,157	4,157		
Total investment derivative instruments	<u>\$ 90,569</u>	<u>\$ 90,569</u>		

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 that are not traded on a national securities exchange are valued by the respective fund manager or other third parties based on similar sales.

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

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

Private equity, equity real estate, private credit, private infrastructure, and absolute return are generally organized as limited partnerships. The fair value of investments that are organized as limited partnerships and have 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, 2024 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 the value of foreign currency, and published market prices for certain securities.

The limited partnerships' annual financial statements, which include estimates of fair values, are audited by independent certified public accounting firms. It is possible that these estimates could change in the near term, or upon the sale of the assets, resulting in valuations that could differ from the June 30, 2024, reported net asset value.

Directly-owned real estate investments are valued based upon the June 30th financial statements completed by the asset manager. The directly-owned real estate investments are appraised annually by an independent third-party appraiser as of calendar year-end.

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, 2024 is presented in the following table:

	Fair Value	Unfunded Commitments	Redemptions Frequency	Redemption Notice Period
Collective trust funds - fixed income ⁽¹⁾	\$ 2,518,078	\$ —	see note (1)	see note (1)
Collective trust funds - common and preferred stock ⁽¹⁾	2,424,671	—	see note (1)	see note (1)
Collective trust funds ⁽¹⁾	905,424	—	see note (1)	see note (1)
Equity real estate ⁽²⁾	4,220,550	2,221,484	see note (2)	see note (2)
Infrastructure ⁽⁵⁾	2,443,640	2,102,767	see note (5)	see note (5)
Private equity alternative investments ⁽³⁾	12,481,672	3,274,555	see note (3)	see note (3)
Private credit alternative investments ⁽⁴⁾	5,700,508	3,106,344	see note (4)	see note (4)
Absolute return alternative investments ⁽⁶⁾	253,965	—	see note (6)	see note (6)
Total investments at NAV	<u>\$ 30,948,508</u>	<u>\$ 10,705,150</u>		

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

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

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

received as: 1) cash flows from operations, or 2) return of capital from dispositions. It is expected that the underlying assets of the equity real estate investments will be liquidated over the next seven to twelve years.

(3) Private equity includes limited partnerships that invest 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 of a buyout investment. The fair value of the investments in this type 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. Instead, the nature of investments in private equity is that distributions are received through the orderly liquidation of the underlying assets of the fund throughout the stated term of the fund. It is expected that the underlying assets of the funds will be liquidated over the next three to ten years in a typical private equity fund.

(4) Private credit includes limited partnerships and open-ended funds that invest in all types of credit, which are 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 are 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 asset 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 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 funds will be liquidated over the next three to five years.

(5) Private infrastructure investments generally consist of limited partnership vehicles that 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 seven to twelve years.

(6) Absolute return includes investments that are private investment funds that seek to produce absolute returns, generally using event-driven, tactical trading, and relative value strategies. Event-driven funds seek to gain an advantage from pricing inefficiencies that may occur before or after a corporate action or related event, such as a merger, spinoff, earnings call, bankruptcy, or restructuring. Tactical trading funds invest their holdings in indexes, commodities, interest rate instruments, and currencies as a result of relative value or directional forecasts from a systematic or discretionary approach. Relative value strategies use a range of fixed income arbitrage, insurance-linked, long-short credit, and/or quantitative strategies that seek to take advantage of price differentials. The fair values of the investments of this type have been determined using the NAV per share of the investments. With the most recently approved strategic asset allocation, the absolute return portfolio is in liquidation. While many of the investments can be redeemed within twelve months of June 30, 2024, there are investments that include restrictions that do not allow for redemption during the next twelve months and could take as long as seven years to be fully liquidated.

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

The Premium Assistance investment assets have the following recurring fair value measurements as of June 30, 2024:

- PSERS Short-Term Investment Fund of \$109,873 consists of Level 1 values of \$78,999 and Level 2 values of \$30,874.

The Health Options Program (HOP) investment assets have the following recurring fair value measurements as of June 30, 2024:

- PSERS Short-Term Investment Fund of \$100,964 consists of Level 1 values of \$72,593 and Level 2 values of \$28,371.
- Other domestic short-term investments of \$356,653 consist of Level 1 values.

The Defined Contribution Plan investment assets have the following recurring fair value measurement at June 30, 2024:

- PSERS Short-Term Investment Fund of \$4,079 consist of Level 1 values of \$2,933 and Level 2 values of \$1,146.
- Other domestic short-term investments of \$9,634 consists of Level 1 values.
- DC Collective trust fund investments (DC-CTF) of \$342,535 are valued at NAV. They consist primarily of domestic and international institutional funds. The fair value of DC-CTF is based on the reported share value of the respective fund. DC-CTF are managed by state chartered banks, for which various state banking departments have regulatory oversight, and investment advisors, for which regulatory agencies such as the Securities and Exchange Commission have regulatory oversight. Investments that are not subject to this oversight are subject to annual independent audits. The redemption frequency for these assets ranges from monthly to quarterly to annual.

Statutory Liquidator Fund

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

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

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

The Statutory Liquidator Fund has the following recurring fair value measurements as of June 30, 2024:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Debt Securities				
Corporate obligations	\$ 64,911	\$ —	\$ 64,911	\$ —
U.S. Treasury obligations	218,681	218,681	—	—
Private placements	2,447	—	2,447	—
U.S. government sponsored enterprises	42,938	42,938	—	—
Commercial paper	1,996	1,996	—	—
Alternative investments	6,424	—	6,424	—
Other Securities				
Annuity	225	—	—	225
Treasury group investment ⁽¹⁾	6,785	—	6,785	—
Mutual funds	24,461	24,461	—	—
Money market mutual funds	4,383	4,383	—	—
Total investments by fair value level	\$ 373,251	\$ 292,459	\$ 80,567	\$ 225

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

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

Other securities classified in Level 1 of the fair value hierarchy consist of mutual funds. For mutual funds, the underlying funds are reported at fair value, determined by Vanguard based on the net asset value per share of each mutual fund as of the close of the New York Stock Exchange (NYSE) on the reporting date. Other securities classified in Level 2 of the fair value hierarchy consist of Treasury-pooled investments. The underlying investments for the pools consist of 30% Level 1 securities and 70% Level 2 securities.

Deposit Risks

At June 30, 2024, the Commonwealth had no bank balances that were subject to custodial risk because they were uninsured and uncollateralized. The Statutory Liquidator Fund had deposits of \$12,419 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 \$356,353 at June 30, 2024 and are under the custody of its bank, which has an A-rating by Standard & Poor's (S&P) and an A1 rating by Moody's Investors Service (Moody's).

Cash with Fiscal Agent

Within the business-type activities cash with fiscal agent, the **Unemployment Compensation Fund** reported \$1,585,348, and within the governmental activities cash with fiscal agent, the **General Fund** and the Game Fund reported \$64,950 and \$1,583, respectively. The **Unemployment Compensation Fund's** cash with fiscal agents 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 \$14,869 in cash with fiscal agent.

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

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 are collateralized. At June 30, 2024, the PRPA reported carrying amounts of restricted cash and cash equivalents of \$320.

Investment Risks

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

Investments by Type

At June 30, 2024, the Treasury Department and other investing organizations, excluding the Statutory Liquidator, Tuition Account Investment Program, the SERS, DCP, and the PSERS, reported a total of \$48,509,755 in investments. Cash equivalents amounting to \$1,434,773, 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 \$47,074,982; of this amount, excluding equities and alternative investments (\$3,427,178 and \$201,409, respectively), fixed income investments disclosed amount to \$43,446,395.

The investment types and related amounts are as follows:

Investment Type	Amount
Alternative investments	\$ 201,409
Asset-backed securities	51,175
Certificates of deposit	955,897
Commercial paper	9,057,075
Corporate obligations	3,503,076
Equity	3,427,178
Money market mutual funds	14,101,364
Mortgage-backed securities	1,191,291
Mutual funds	1,132,870
Preferred securities	5,674
Private placements	611,771
Securities lending collateral pool	614,090
Sovereign debt obligations	72,890
State and municipal obligations	22,509
U.S. government sponsored enterprises	2,982,981
U.S. Treasury obligations	9,143,732
Total investments	47,074,982
Cash equivalents	1,434,773
Total investments and cash equivalents	\$ 48,509,755

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

In addition, at June 30, 2024, all reported investments of the Tuition Account Investment Program, amounting to \$5,396,704, consist entirely of mutual funds, \$5,371,567, and money market mutual funds, \$25,137.

A reconciliation of Treasury Investments by Type to total Investments reported by the Primary Government are as follows:

Amounts Disclosed in Note 2 Treasury Investments by Type	\$ 48,509,755
Treasury Investments for Funds/Entities that are not part of Primary Government Investments	
Fiduciary funds - pension (and other employee benefit) trust funds	(2,651,596)
Fiduciary funds - custodial funds	(1,554,405)
Discretely presented component units	(2,501,169)
Related organizations	(24,259)
Joint ventures	(20,018)
Other organizations not reported in the ACFR	(32,280)
External Investments included in Primary Government Investments but not in Note 2	
General Fund	2,438
State Workers' Insurance Fund (SWIF)	1,400
Philadelphia Regional Port Authority (PRPA)	35,999
Treasury Investments Reported as of 12/31/23 by the Primary Government but Reported as of 6/30/24 in Note 2	
State Workers' Insurance Fund (SWIF)	(35,639)
Other Differences	
<i>Appreciation</i>	5,731
<i>Receivables</i>	292,410
<i>Payables</i>	(193,895)
<i>Foreign Currency Adjustments</i>	(106,678)
<i>Other Adjustments</i>	(4,139)
Total Investments Reported by Primary Government in Government-Wide Statement of Net Position	<u>\$ 41,723,655</u>

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 other investing organizations and 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, 2024, \$1,980,256 in 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, 2024, \$584,797 of bank investment contracts that are not insured by the FDIC or otherwise covered by collateral or supplementary insurance. Also, at June 30, 2024, only the Statutory Liquidator Fund, a custodial fund, owned investment securities subject to custodial credit risk in the amount of \$328,977. 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:

<u>Investment Type</u>	<u>Amount</u>
Corporate obligations.....	64,911
Private placements.....	2,447
U.S. government agencies.....	42,938
U.S. Treasury obligations.....	218,681
Total.....	<u>\$ 328,977</u>

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the government’s investment in a single issuer. The Treasury Department places a 5% limit on the concentration of investments in any one fixed income issuer within the CIP, PA 529 Investment Plan, PA 529 Guaranteed Savings Plan, and INVEST Program. This limitation excludes government-sponsored enterprises (GSEs), direct obligations of the U.S. Treasury or U.S. government agencies, and repurchase agreements. The Treasury Department also places a 5% limit on the concentration of investments in one equity issuer within the CIP. Similarly, to a degree, the five other investing organizations limit exposure to concentration of credit risk. Several of the other investing organizations have adopted policies that 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, 2024:

Issuer Name	Amount	% of Treasury and Other Investing Organizations Portfolio
U.S. Treasury	\$ 8,499,342	17.9%
Federal Home Loan	\$ 2,591,072	5.5%

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

Issuer Name	Amount	% of Statutory Liquidators Portfolio
PIMCO Funds	\$ 24,461	6.0%

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 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 prevent purchasing below investment grade (Baa/BBB/BBB).

At June 30, 2024, \$43,446,395 of total Treasury and other investing organization investments of \$48,509,755 are fixed income investments, susceptible to credit quality rating; the remainder is primarily equities \$3,427,178, alternative investments \$201,409, cash equivalents, and various deposit accounts of \$1,434,773. Of the Treasury amount susceptible to credit quality rating, \$29,751,869 is rated; ratings are not available for \$13,694,526 of fixed income investments.

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

Moody's Investors Service	Amount
P-1	\$ 5,080,764
P-2	400
Aaa	2,905,479
Aa	124,808
A	561,443
Baa	1,163,157
Ba	295,932
B	77,406
Caa	11,786
Ca	1,062
Moody's Investors Service subtotal	10,222,237
Standard and Poor's	
A-1	5,027,322
AAA	70,134
AA	13,249,863
A	627,940
BBB	448,837
BB	61,994
B	16,615
Standard and Poor's subtotal	19,502,705
Fitch Ratings	
AAA	10,535
AA	1,194
A	5,878
BBB	8,029
BB	1,291
Fitch Ratings subtotal	26,927
Rated subtotal	29,751,869
Unrated subtotal	13,694,526
Total fixed income investments	\$ 43,446,395

At June 30, 2024, 1.57% (\$466,086) of rated fixed-income Treasury investments of \$29,751,869 are rated below investment grade. Approximately 31.52% (\$13,694,526) of the fixed-income portfolio in Treasury and other investing organizations is 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, 2024. Among the Tuition Account Investment Program’s mutual fund portfolios, certain mutual funds hold fixed-income investments susceptible to credit quality ratings, and all such investments are rated Aaa-mf by Moody’s or AAAM by S&P.

The pension trust funds may expose themselves to greater credit risk than the Treasury Department or other investing organizations to meet specific investment objectives. The SERS' Defined Contribution Plan is exposed to credit risk through investment in the Commonwealth Treasury Department’s STIF, which is not rated. The plan had \$9,600 in STIF as of December 31, 2023. The plan also has indirect exposure to credit risk through the commingled fixed income funds, which had a cumulative balance of \$2,800 as of December 31, 2023. These funds hold investment-grade securities. The SERS' Defined Benefit Plan fixed income securities (at December 31, 2023), which are exposed to credit risk, are rated as follows:

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

Moody's Investors Service ¹	Amount
Aaa	\$ 426,540
Aa	171,165
A	484,341
Baa	705,959
Ba and below	84,725
Unrated ²	1,214,155
Short-term investments	950,520
Total	\$ 4,037,405

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, 2024:

Standard and Poor's Equivalent ¹	Amount
AAA	\$ 1,731,000
AA	2,225,626
A	707,925
BBB	361,271
BB and below	674,883
Unrated ²	3,949,095
U.S. government guaranteed ³	14,659,286
Total	\$ 24,309,086

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 having a rating of A in this table.
2. 'Unrated' securities include \$2,518,078 in collective trust funds and \$93,853 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, 2024, which are exposed to credit risk, are rated as follows:

Moody's Investors Service	Amount
Aaa	\$ 14,848
A	6,809
Baa	30,413
P-1	56,016
Moody's Investors Service subtotal	108,086
Standard and Poor's	
AA	203,079
A	17,816
A-1	1,997
BBB	15,250
Standard and Poor's subtotal	238,142
Rated subtotal	346,228
Unrated subtotal	59,262
Total fixed income investments	\$ 405,490

The \$405,490 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 longer 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, 2024, Treasury and other investing organizations' fixed income portfolio, excluding the 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	\$ 48,531	1.901	\$ 2,644	\$ 51,175
Certificates of deposit	955,897	0.241	—	955,897
Commercial paper	9,057,075	0.178	—	9,057,075
Corporate obligations	3,301,302	4.192	201,774	3,503,076
Money market	14,101,364	0.080	—	14,101,364
Mortgage-backed securities	1,189,668	5.687	1,624	1,191,292
Mutual funds	—	—	1,132,870	1,132,870
Preferred securities	3,250	5.606	2,424	5,674
Private placements	606,076	3.062	5,695	611,771
Securities lending collateral pool	614,090	0.083	—	614,090
Sovereign debt obligations	72,889	4.772	—	72,889
State and municipal obligations	22,509	8.547	—	22,509
U.S. government sponsored enterprises	2,982,981	0.130	—	2,982,981
U.S. Treasury obligations	9,143,732	2.077	—	9,143,732
Total	\$ 42,099,364		\$ 1,347,031	\$ 43,446,395

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

Investment Type	Matured	No Maturity Date	Matures in less than 1 Year	Matures in 1 to 5 Years	Total
Alternative investments	\$ —	\$ —	\$ 2,499	\$ 3,925	\$ 6,424
Annuity	—	225	—	—	225
Cash & equivalents	—	23,291	—	—	23,291
Commonwealth investment program	—	6,785	—	—	6,785
Corporate obligations	—	—	33,525	31,386	64,911
Commercial paper	—	—	1,997	—	1,997
Money markets	—	13,330	—	—	13,330
Mutual funds	—	24,461	—	—	24,461
Private placements	—	—	—	2,447	2,447
U.S. government sponsored enterprises	—	—	15,972	26,966	42,938
U.S. Treasury obligations	1,680	—	186,373	30,628	218,681
Total	\$ 1,680	\$ 68,092	\$ 240,366	\$ 95,352	\$ 405,490

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	\$ 967,537	6.0 years	8.5 years
Vanguard Total Bond Market Index Fund Institutional Shares	41,799	6.0 years	8.5 years
Vanguard Short-Term Inflation-Protected Securities Index Fund Institutional Shares	64,933	2.4 years	2.5 years
Vanguard Total International Bond Index Fund Institutional Shares	418,776	7.2 years	8.9 years
Vanguard Federal Money Market Fund	25,137	N/A	12 days

Based on specific investment objectives, 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	\$ 373,911	5.50
Commingled investments funds	1,176,563	5.90
Corporate obligations	1,221,523	6.70
Sovereign debt obligations	123,479	8.60
Short-term investments	950,520	0.10
U.S. Treasury obligations	3,618,955	7.40
U.S. government sponsored enterprises	38,157	3.00
U.S. private placements	115,982	3.10
Total	\$ 7,619,090	

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, 2023. The plan had \$9,600 in STIF as of December 31, 2023. The plan also has indirect exposure to interest rate risk through commingled fixed income funds, which have an average duration of approximately 5.9 years at December 31, 2023. The cumulative balance of these funds was \$2,800 as of December 31, 2023.

DCP Investment Type	Amount	Option-Adjusted Duration
Commingled investment funds	\$ 222,842	6.30
Treasury investment pool	124,634	0.10
Total	\$ 347,476	

PSERS Investment Type	Amount	Option-Adjusted Duration
Domestic asset-backed and mortgage-backed securities	\$ 712,763	0.90
U.S. government and agency obligations	11,810,875	10.00
Domestic corporate and taxable municipal bonds	1,777,152	1.20
International fixed income	336,531	4.20
Collective trust funds	2,518,078	11.90
PSERS Short-Term Investment Fund	6,253,927	0.10
Other Short-term assets	899,760	0.10
Total	\$ 24,309,086	

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, 2024.

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	\$ 69,611	\$ —	\$ 69,611
Canadian dollar	99,748	—	99,748
Danish krone	25,213	—	25,213
Euro currency unit	247,951	2,420	250,371
Hong Kong dollar	15,454	—	15,454
Israeli shekel	2,170	—	2,170
Japanese yen	155,122	—	155,122
New Zealand dollar	10,632	—	10,632
Norwegian krone	3,866	—	3,866
Pound sterling	108,110	—	108,110
Singapore dollar	7,527	—	7,527
Swedish krona	20,449	—	20,449
Swiss franc	67,860	—	67,860
Thailand baht	45	—	45
Total	\$ 833,758	\$ 2,420	\$ 836,178

Within the Tuition Account Investment Program, equities of \$1,354,394 are exposed to foreign currency risk.

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

Each pension trust fund is exposed to foreign currency risk as part of meeting specific investing objectives or allocations among different classes of investments. The SERS' Defined Contribution Plan has indirect foreign currency exposure through its holdings in target-date funds. The SERS' Defined Benefit Plan has indirect foreign currency exposure through its holdings in commingled public equity and commingled fixed income funds. The risks at December 31, 2023 are as follows:

Foreign Currency	Short-Term Investments ¹	Fixed Income	Common & Preferred Stocks	Other Investments	Real Estate	Private Equity	Total
European euro	\$ 8,566	\$ 20,043	\$ 129,205	\$ (782)	\$ 280,937	\$ 702,338	\$ 1,140,307
Swedish krona	—	—	8,478	808	—	108,291	117,577
British pound sterling ..	791	25,378	63,445	(1,625)	—	—	87,989
Japanese yen	62	—	50,110	3,451	—	—	53,623
Swiss franc	842	—	41,412	(21)	—	—	42,233
Canadian dollar	137	2,250	37,967	(455)	—	—	39,899
Danish krone	397	—	37,326	160	—	—	37,883
New Taiwan dollar	67	—	27,280	—	—	—	27,347
South Korean won	162	—	26,591	—	—	—	26,753
Hong Kong dollar	(13)	—	23,695	13	—	—	23,695
Australian dollar	27	1,195	20,519	70	—	—	21,811
Mexican peso	57	1,147	12,030	(539)	—	—	12,695
Thai baht	—	—	9,734	—	—	—	9,734
Turkish lira	—	—	8,908	—	—	—	8,908
Norwegian krone	17	—	6,615	591	—	—	7,223
South African rand	211	—	4,000	—	—	—	4,211
Chilean peso	—	—	3,003	—	—	—	3,003
Indonesian rupiah	—	—	2,728	—	—	—	2,728
Philippine peso	—	—	1,887	—	—	—	1,887
Hungarian forint	—	—	849	—	—	—	849
Malaysian ringgit	—	—	780	—	—	—	780
Israeli shekel	—	—	725	—	—	—	725
Polish zloty	119	—	596	—	—	—	715
New Zealand dollar	139	2,347	—	(1,850)	—	—	636
Brazilian real	535	—	—	—	—	—	535
Total	\$ 12,116	\$ 52,360	\$ 517,883	\$ (179)	\$ 280,937	\$ 810,629	\$ 1,673,746

1. Includes receivables and payables as of December 31, 2023 for securities sold and purchased.

In 2023, the DCP had indirect foreign currency exposure within commingled investments through the following investment options:

- Target Date Funds are diversified across global asset classes, with allocations changing over the funds' investment horizon. The funds include varying degrees of international equity and fixed income as part of their allocations.
- The Global Non-U.S. Stock Index Fund tracks the performance of the MSCI All Country World Index (ACWI) ex-U.S. index, which is made up of non-U.S. stocks from 22 developed markets and 24 emerging markets as of 2023.

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

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

Foreign Currency	Equities	Fixed income	Alternative Investments and Real Estate	Short-term ¹	Currency Hedge	Total
Japanese yen	\$ 1,212,571	\$ 9,817	\$ 81,425	\$ 2,922	\$ (869,659)	\$ 437,076
British pound sterling	961,996	—	489,277	1,191	(930,064)	522,400
Euro	1,933,415	52,444	1,362,036	58,065	(3,060,081)	345,879
Taiwan new dollar	226,965	—	—	(1,575)	—	225,390
Indian rupee	235,615	—	—	(376)	—	235,239
Canadian dollar	856,061	—	—	1,048	(714,214)	142,895
Swiss franc	397,657	—	—	7,099	(305,392)	99,364
Danish krone	205,200	—	—	2,867	(81,401)	126,666
South Korean Won	97,627	—	—	(240)	—	97,387
Other currencies	1,438,232	102,667	—	11,200	(1,059,846)	492,253
Total	<u>\$ 7,565,339</u>	<u>\$ 164,928</u>	<u>\$ 1,932,738</u>	<u>\$ 82,201</u>	<u>\$ (7,020,657)</u>	<u>\$ 2,724,549</u>

1. Includes investment receivables and payables.

Securities Lending Program

The Treasury Department provides a securities lending program in which the various investments under its custody 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 that are not denominated in U.S. dollars or whose primary trading market is located outside the U.S., the fair value of the 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 the 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 the 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 obligations to borrowers are reported.

To the extent that collateral received consists of cash, the lending agent invests the cash in accordance with reinvestment guidelines approved by the Treasury Department. At June 30, 2024, 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 does 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, 2024, there were no failures by any borrower to return securities lent or pay distributions thereon. Also, there were no losses resulting from a lending agent or borrower default, and there were no Treasury Department restrictions on the amount of the loans that could be made.

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

At June 30, 2024, the total fair value of the securities lent, along with the type of investments lent, were as follows:

Fund/Organization	Total Securities Lent	U.S. Treasury Obligations	U.S. Government Sponsored Enterprises	Corporate Obligations	Equities	Agency Discount Notes	Exchange Traded
State Employees' Retirement System	\$ 575,178	\$ 253,293	\$ 11,685	\$ 50,619	\$ 258,143	\$ —	\$ 1,438
Public School Employees' Retirement System	26	—	—	—	26	—	—
Underground Storage Tank Indemnification Fund	29,831	4,282	401	6,583	—	—	18,565
Workers' Compensation Security Trust Fund	35,438	3,693	1,267	18,697	—	—	11,781
State Workers' Insurance Fund	36,192	4,569	428	31,195	—	—	—
Other Postemployment Benefits Investment Pool	258,855	162,352	—	29,130	3,529	—	63,844
Commonwealth Investment Program	177,966	35,967	10,523	51,463	5,657	—	74,356
Tuition Payment Fund	43,929	16,682	3,791	16,142	7,314	—	—

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 an investment loss. There were no losses during the fiscal year ended June 30, 2024 resulting from a default by 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, 2024.

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, 2024. During the fiscal year ended June 30, 2024, 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, 2024, the fair value of loaned securities was \$0.

Derivative Instruments and Other Similar Investments

State Employees' Retirement System (SERS)

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

The SERS indirectly holds 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

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

manage interest rate risk by altering the average life of the portfolio. Derivative instruments are viewed within the context of the fund’s total portfolio and are consistent with the funds’ overall strategy.

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

The SERS invests in mortgage-backed securities (MBS) in the form of specified pools to maximize yields. These securities are sensitive to prepayments of mortgages, which may result from a drop in interest rates. The system also uses MBS forwards, which are forward-settling mortgage instruments that are used for liquidity as well as a low-cost, efficient way to gain mortgage exposure. The MBS forwards are subject to credit risk in the event of nonperformance by counterparties. The fair value of MBS forwards is \$334,000 as of December 31, 2023. 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 the 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 against currency fluctuations. To reduce the risk of counterparty nonperformance, 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, 2023, the SERS Defined Benefit had contracts to purchase and sell by major foreign currencies, as follows:

Foreign Currency	Purchases	Unrealized Gain/ (Loss)	Sales	Unrealized Gain/ (Loss)
Japanese yen	\$ 3,512	\$ 188	\$ 62	\$ —
Australian dollar	2,254	96	2,184	(103)
European euro	1,972	84	2,753	(49)
British pound sterling	1,971	13	3,596	(162)
South African rand	1,068	6	1,068	(23)
Swedish krona	808	80	—	—
Norwegian krone	591	54	—	—
Danish krone	160	7	—	—
Hong Kong dollar	13	—	—	—
New Zealand dollar	—	—	1,850	(79)
Mexican peso	—	—	540	(24)
Canadian dollar	—	—	455	(19)
Swiss franc	—	—	21	—
Total	\$ 12,349	\$ 528	\$ 12,529	\$ (459)

Swap agreements provide for periodic payments between parties based on the change in value of underlying assets, indexes, rates, and creditworthiness. The SERS' managers use contracts with multiple counterparties as well as collateral posting requirements to manage their 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, 2023.

Futures are standardized contracts traded on an exchange. Contract details include the price and quantity of a specific asset to be transacted by either the buyer or the seller on a set date. Futures are subject to certain risks, which include liquidity, interest rate, market, and credit risks. Futures are used by SERS' managers to gain desired exposures or hedge certain risks within the portfolio. SERS' managers do not use futures for the purpose of speculation. The SERS did not have exposure to futures at December 31, 2023.

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

Public School Employees’ Retirement System (PSERS)

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

The following table summarizes the aggregate notional or contractual amounts for the PSERS’ derivative financial instruments at June 30, 2024:

Type of Derivative Instrument	Notional Value
Futures contracts - long	\$ 968,966
Futures contracts - short	6,894
Foreign exchange forward and spot contracts, gross	7,040,217
Options - puts purchased	7,145,000
Swaps - total return type	6,366,903

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, 2024 represent a restriction on the amount of assets available as of fiscal year-end for other purposes.

Option contracts provide the option purchaser with the right, but not the obligation, to buy or sell the underlying security at a set price during a period or at a specified date. The option writer is obligated to buy or sell the underlying security if the option purchaser chooses to exercise the option. The PSERS generally uses exchange-listed currency, index, stock, and futures options. In FY 2023, PSERS purchased over-the-counter put options on the S&P 500 Index. The fair value of these option contracts is \$4,157 at June 30, 2024.

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, investment managers generally enter into these contracts with institutions regarded as meeting high standards of credit worthiness. The contracts primarily include forwards. The \$7,040,217 of foreign currency contracts outstanding at June 30, 2024 consist of “buy” contracts, which represent the U.S. dollar equivalents of commitments to purchase foreign currencies of \$11,155; and “sell” contracts, which represent the U.S. dollar equivalents of commitments to sell foreign currencies of \$7,029,062. The unrealized gain on contracts of \$40,745 at June 30, 2024 represents the fair value of the contracts.

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

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, 2024, 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 \$(16,880) at June 30, 2024 represents the fair value of the contracts. The contracts have varying maturity dates, ranging from July 31, 2024 to June 30, 2025.

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, 2024, is \$686,504.

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, 2024 consisted of the following:

	Statement of Net Position		
	Governmental Activities		
	Current	Noncurrent	Total
Sales and use	\$ 1,119,058	\$ 365,310	\$ 1,484,368
Personal income	838,811	734,259	1,573,070
Corporation	500,259	579,528	1,079,787
Liquid fuels	297,601	—	297,601
Inheritance	652,817	202,309	855,126
Cigarette	73,115	—	73,115
Other	42,039	—	42,039
Total	<u>\$ 3,523,700</u>	<u>\$ 1,881,406</u>	<u>\$ 5,405,106</u>

Taxes receivable reported on the governmental funds balance sheet and the statement of fiduciary net position at June 30, 2024 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, 2024	August 31, 2024	August 31, 2024
	By	through	After	Total	August 31, 2024	August 31, 2024	August 31, 2024
	August 31, 2024	June 30, 2025	June 30, 2025				
Sales and use	\$ 951,015	\$ 168,043	\$ 365,310	\$ 1,484,368	\$ —	\$ —	\$ 38,410
Personal income	457,024	381,787	734,259	1,573,070	—	—	—
Corporation	114,174	386,085	579,528	1,079,787	—	—	—
Liquid fuels	—	—	—	—	297,601	—	—
Inheritance	218,536	434,281	202,309	855,126	—	—	—
Cigarette	73,115	—	—	73,115	—	—	39,912
Other	8,713	—	—	8,713	—	33,326	—
Total	<u>\$ 1,822,577</u>	<u>\$ 1,370,196</u>	<u>\$ 1,881,406</u>	<u>\$ 5,074,179</u>	<u>\$ 297,601</u>	<u>\$ 33,326</u>	<u>\$ 78,322</u>

On the governmental funds balance sheet, the **General Fund** taxes receivable of \$3,251,602 expected to be collected after August 31, 2024 are reported as deferred inflows of resources. The total amount of taxes receivable reported on the governmental funds balance sheet, \$3,523,700 (\$3,192,773 reported in the **General Fund**, \$297,601 reported in the **Motor License Fund**, and \$33,326 reported in nonmajor governmental funds), expected to be collected from July 1, 2024 through June 30, 2025 is also reported as current taxes receivable in governmental activities on the statement of net position. The remaining **General Fund** taxes receivable for the \$1,881,406 reported on the governmental funds balance sheet expected to be collected after June 30, 2025 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, 2024 consisted of the following:

	Governmental Activities		Business-Type Activities	
	General Fund		Commonwealth	Nonmajor
			Financing Authority	Enterprise Funds
Economic development loans	\$ 24,546	\$	309,331	\$ 73,194
Volunteer fire, ambulance and rescue company loans	—		—	65,771
Environmental program loans	2,019		—	—
School district loans	15,507		—	—
Other notes and loans	110		—	—
	42,182		309,331	138,965
Less: allowance for uncollectible amounts	(2,674)		(46,854)	—
Loans receivable, net	\$ 39,508	\$	262,477	\$ 138,965

The **General Fund** reported \$23,224 in loans due after June 30, 2025; the **Commonwealth Financing Authority** (a blended component unit) reported \$245,369 in loans due after June 30, 2025; and nonmajor enterprise funds reported \$115,389 in loans due after June 30, 2025.

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 \$11,912 in uncollectible amounts.

Lease Receivables:

	Governmental Activities		Business-Type Activities		Total
	Current	Noncurrent	Current	Noncurrent	
Leases receivable:					
Land	\$ 329	\$ 1,909	\$ 138	\$ 3,510	\$ 5,886
Buildings and building improvements	79	730	13,986	103,314	118,109
Equipment	—	—	466	1,477	1,943
Total	\$ 408	\$ 2,639	\$ 14,590	\$ 108,301	\$ 125,938

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, 2024, the statement of activities includes lease revenue and interest of \$541 and \$59, respectively, for governmental activities and \$14,309 and \$5,485 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 that have not yet been earned as revenue as of June 30, 2024:

	General Fund	Motor License Fund	Nonmajor Funds	Total Governmental Funds
Unearned revenue	\$ 831,331	\$ 65,214	\$ 115,766	\$ 1,012,311

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 as of June 30, 2024. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively, at June 30, 2024:

	Total Governmental Activities	Total Business-Type Activities
Deferred Outflows of Resources		
Refundings of debt	\$ 19,579	\$ 634
Asset retirement obligations	166,955	—
Pension related:		
Contributions subsequent to measurement date	1,019,001	45,100
Differences between expected and actual experience	486,297	22,260
Net difference between projected and actual earnings on plan investments	1,360,681	61,948
Changes of assumptions	746,173	33,977
Changes in proportion	486,205	22,504
Differences between employer contributions and proportionate share	29,313	1,413
Other postemployment benefits related:		
Contributions subsequent to measurement date	640,264	34,343
Differences between expected and actual experience	597,924	16,474
Net difference between projected and actual earnings on plan investments	7,850	406
Changes of assumptions	1,532,629	32,148
Changes in proportion	1,336,548	23,010
Differences between employer contributions and proportionate share	1	547
Total deferred outflows of resources	\$ 8,429,420	\$ 294,764
Deferred Inflows of Resources		
Refundings of debt	\$ 40,832	\$ 10,673
Leases right-to-use	3,195	120,189
Pension related:		
Differences between expected and actual experience	38,670	1,602
Changes in proportion	306,272	14,696
Differences between employer contributions and proportionate share	32,254	1,485
Other postemployment benefits related:		
Differences between expected and actual experience	2,873,473	129,285
Changes of assumptions	3,737,947	115,700
Changes in proportion	1,130,553	50,591
Differences between employer contributions and proportionate share	—	1,887
Total deferred inflows of resources	\$ 8,163,196	\$ 446,108

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, 2024, 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, 2024:			
Taxes receivable	\$ 3,251,602	\$ —	\$ 3,251,602
Accounts receivable	885,435	176,105	1,061,540
Due from Federal Government	147,958	—	147,958
Total unavailable revenue	4,284,995	176,105	4,461,100
Leases right-to-use	3,013	183	3,196
Total deferred inflows of resources	\$ 4,288,008	\$ 176,288	\$ 4,464,296

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 as of June 30, 2024. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively, at June 30, 2024:

	State				Commonwealth	Nonmajor	Total	Internal
	Unemployment	Workers'	State	State	Financing	Funds	Proprietary	Service
	Compensation	Insurance	Lottery	Stores	Authority		Funds	Funds
Deferred Outflows of Resources	Fund	Fund	Fund					
Refundings of debt	\$ —	\$ —	\$ —	\$ —	\$ 634	\$ —	\$ 634	\$ —
Pension related:								
Contributions subsequent to measurement date	2,680	—	4,161	35,788	—	2,471	45,100	3,486
Differences between expected and actual experience	1,322	1,035	2,051	16,631	—	1,221	22,260	1,719
Net difference between projected and actual earnings on plan investments	3,677	2,879	5,709	46,280	—	3,403	61,948	4,784
Changes of assumptions	2,017	1,579	3,131	25,385	—	1,865	33,977	2,624
Changes in proportion	1,316	1,030	2,043	16,559	—	1,556	22,504	1,712
Differences between employer contributions and proportionate share	80	62	124	1,003	—	144	1,413	104
Other postemployment benefits related:								
Contributions subsequent to measurement date	5,788	1,198	2,738	23,186	—	1,433	34,343	1,824
Differences between expected and actual experience	226	642	1,514	13,764	—	328	16,474	1,308
Net difference between projected and actual earnings on plan investments	6	16	39	331	—	14	406	34
Changes of assumptions	413	1,173	2,766	26,405	—	1,391	32,148	2,391
Changes in proportion	7,566	—	3,782	8,771	—	2,891	23,010	10,846
Differences between employer contributions and proportionate share	—	—	—	—	—	547	547	—
Total deferred outflows of resources ..	\$ 25,091	\$ 9,614	\$ 28,058	\$ 214,103	\$ 634	\$ 17,264	\$ 294,764	\$ 30,832
Deferred Inflows of Resources								
Refundings of debt	\$ —	\$ —	\$ —	\$ —	\$ 10,673	\$ —	\$ 10,673	\$ —
Leases right-to-use	—	—	—	—	—	120,189	120,189	—
Pension related:								
Differences between expected and actual experience	95	74	148	1,197	—	88	1,602	124
Changes in proportion	825	645	1,280	10,375	—	1,571	14,696	1,072
Differences between employer contributions and proportionate share	88	69	136	1,102	—	90	1,485	114
Other postemployment benefits related:								
Differences between expected and actual experience	1,793	5,092	12,005	104,355	—	6,040	129,285	10,376
Changes of assumptions	1,564	4,444	10,477	93,942	—	5,273	115,700	9,055
Changes in proportion	10,804	9,495	2,215	20,808	—	7,269	50,591	3,078
Differences between employer contributions and proportionate share	—	—	—	—	—	1,887	1,887	—
Total deferred inflows of resources	\$ 15,169	\$ 19,819	\$ 26,261	\$ 231,779	\$ 10,673	\$ 142,407	\$ 446,108	\$ 23,819

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 as of June 30, 2024. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively, at June 30, 2024:

<u>Deferred Outflows of Resources</u>	<u>Pension (and Other Employee Benefit) Trust Funds</u>	
Pension related:		
Contributions subsequent to measurement date	\$	5,372
Differences between expected and actual experience		2,583
Net difference between projected and actual earnings on plan investments		7,188
Changes of assumptions		3,943
Changes in proportion		3,445
Differences between employer contributions and proportionate share		245
Other postemployment benefits related:		
Contributions subsequent to measurement date		1,448
Differences between expected and actual experience		1,155
Net difference between projected and actual earnings on plan investments		29
Changes of assumptions		2,110
Changes in proportion		6,132
Total deferred outflows of resources	\$	33,650
<u>Deferred Inflows of Resources</u>		
Pension related:		
Differences between expected and actual experience	\$	186
Changes in proportion		332
Differences between employer contributions and proportionate share		114
Other postemployment benefits related:		
Differences between expected and actual experience		9,158
Changes of assumptions		7,991
Differences between employer contributions and proportionate share		8,359
Total deferred inflows of resources	\$	26,140

NOTE 4 - CAPITAL ASSETS

Changes in governmental activities capital assets for the fiscal year ended June 30, 2024 are as follows:

	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024
Non-depreciable capital assets:				
Land	\$ 717,694	\$ 42,302	\$ —	\$ 759,996
Highway right-of-way	2,886,326	188,849	—	3,075,175
General construction in progress	880,785	407,121	384,116	903,790
Transportation construction in progress	5,374,501	3,245,587	2,775,928	5,844,160
Subtotal	<u>9,859,306</u>	<u>3,883,859</u>	<u>3,160,044</u>	<u>10,583,121</u>
Depreciable and amortizable capital assets:				
Land improvements	1,205,292	20,322	489	1,225,125
Buildings and building improvements	9,588,172	380,985	12,412	9,956,745
Machinery and equipment	2,198,997	179,558	20,526	2,358,029
Highway infrastructure	39,506,814	1,740,440	—	41,247,254
Bridge infrastructure	19,782,641	745,932	359	20,528,214
Waterway infrastructure	36,321	12,790	—	49,111
Infrastructure-other	344,758	12,570	—	357,328
Software	1,446,003	186,087	11,996	1,620,094
Other intangibles	200	—	—	200
Subtotal	<u>74,109,198</u>	<u>3,278,684</u>	<u>45,782</u>	<u>77,342,100</u>
Less accumulated depreciation and amortization for:				
Land improvements	608,931	33,623	489	642,065
Buildings and building improvements	4,333,724	218,164	9,349	4,542,539
Machinery and equipment	1,610,661	127,886	19,951	1,718,596
Highway infrastructure	25,992,664	1,554,000	—	27,546,664
Bridge infrastructure	7,181,275	528,616	300	7,709,591
Waterway infrastructure	9,260	794	—	10,054
Infrastructure-other	167,755	17,651	—	185,406
Software	576,458	67,345	993	642,810
Other intangibles	200	—	—	200
Subtotal	<u>40,480,928</u>	<u>2,548,079</u>	<u>31,082</u>	<u>42,997,925</u>
Total depreciable and amortizable capital assets, net	<u>33,628,270</u>	<u>730,605</u>	<u>14,700</u>	<u>34,344,175</u>
Total governmental activities capital assets, net	<u>\$ 43,487,576</u>	<u>\$ 4,614,464</u>	<u>\$ 3,174,744</u>	<u>\$ 44,927,296</u>

The decreases in construction in progress represent increases in all capital asset classes, including non-depreciable assets such as land and highway right-of-way. For the fiscal year ending June 30, 2024, the amount of the decreases to construction in progress that resulted in increases to land and highway right-of-way totaled \$209,270.

NOTE 4 - CAPITAL ASSETS (continued)

	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024
Intangible right-to-use assets:				
Leases:				
Land	\$ 25,506	\$ 389	\$ 5,223	\$ 20,672
Buildings and building improvements	1,466,499	122,884	8,535	1,580,848
Machinery and equipment	20,364	3,545	419	23,490
Lease asset subtotal	<u>1,512,369</u>	<u>126,818</u>	<u>14,177</u>	<u>1,625,010</u>
Subscription-based information technology arrangements	110,939	46,950	48,390	109,499
Right-to-use asset subtotal	<u>1,623,308</u>	<u>173,768</u>	<u>62,567</u>	<u>1,734,509</u>
Less accumulated amortization for:				
Leases:				
Land	5,607	1,684	2,934	4,357
Buildings and building improvements	402,470	140,423	4,639	538,254
Machinery and equipment	9,871	4,550	235	14,186
Right-to-use asset subtotal	<u>417,948</u>	<u>146,657</u>	<u>7,808</u>	<u>556,797</u>
Subscription-based information technology arrangements	41,661	33,368	19,435	55,594
Right-to-use asset subtotal	<u>459,609</u>	<u>180,025</u>	<u>27,243</u>	<u>612,391</u>
Total governmental activities right-to-use assets, net	<u>\$ 1,163,699</u>	<u>\$ (6,257)</u>	<u>\$ 35,324</u>	<u>\$ 1,122,118</u>

Depreciation and amortization expense, by function, related to governmental activities capital assets for the fiscal year ended June 30, 2024 is as follows:

	Capital Assets	Right-To-Use Assets	Total
Direction and supportive services	\$ 72,589	\$ 55,791	\$ 128,380
Protection of persons and property	150,175	80,154	230,329
Public education	58,289	229	58,518
Health and human services	40,797	37,054	77,851
Economic development	2,605	60	2,665
Transportation	2,184,215	5,474	2,189,689
Recreation and cultural enrichment	39,409	1,263	40,672
Total depreciation and amortization expense	<u>\$ 2,548,079</u>	<u>\$ 180,025</u>	<u>\$ 2,728,104</u>

NOTE 4 - CAPITAL ASSETS (continued)

Changes in business-type activities capital assets for the fiscal year ended June 30, 2024 are as follows:

	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024
Non-depreciable capital assets:				
Land	\$ 244,304	\$ 3,913	\$ 4,167	\$ 244,050
General construction in progress	9,059	19,794	4,839	24,014
Subtotal	<u>253,363</u>	<u>23,707</u>	<u>9,006</u>	<u>268,064</u>
Depreciable and amortizable capital assets:				
Land improvements	175,500	85	—	175,585
Buildings and building improvements	596,796	7,749	331	604,214
Machinery and equipment	333,773	114,149	17,687	430,235
Software	115,127	36,764	856	151,035
Subtotal	<u>1,221,196</u>	<u>158,747</u>	<u>18,874</u>	<u>1,361,069</u>
Less accumulated depreciation and amortization for:				
Land improvements	53,354	8,780	—	62,134
Buildings and building improvements	303,954	24,726	32	328,648
Machinery and equipment	186,182	26,373	16,167	196,388
Software	25,356	17,419	856	41,919
Subtotal	<u>568,846</u>	<u>77,298</u>	<u>17,055</u>	<u>629,089</u>
Total depreciable and amortizable capital assets, net	<u>652,350</u>	<u>81,449</u>	<u>1,819</u>	<u>731,980</u>
Total business-type activities capital assets, net	<u>\$ 905,713</u>	<u>\$ 105,156</u>	<u>\$ 10,825</u>	<u>\$ 1,000,044</u>
Intangible right-to-use assets:				
Leases:				
Buildings and building improvements	\$ 419,476	\$ 62,111	\$ 1,595	\$ 479,992
Machinery and equipment	573	71	—	644
Other	243	—	243	—
Lease asset subtotal	<u>420,292</u>	<u>62,182</u>	<u>1,838</u>	<u>480,636</u>
Subscription-based information technology arrangements	17,434	5,402	216	22,620
Right-to-use asset subtotal	<u>437,726</u>	<u>67,584</u>	<u>2,054</u>	<u>503,256</u>
Less accumulated amortization for:				
Leases:				
Buildings and building improvements	\$ 183,323	\$ 63,501	\$ 1,595	\$ 245,229
Machinery and equipment	220	109	—	329
Other	232	—	232	—
Right-to-use asset subtotal	<u>183,775</u>	<u>63,610</u>	<u>1,827</u>	<u>245,558</u>
Subscription-based information technology arrangements	6,723	6,905	—	13,628
Right-to-use asset subtotal	<u>190,498</u>	<u>70,515</u>	<u>1,827</u>	<u>259,186</u>
Total business-type activities right-to-use assets, net	<u>\$ 247,228</u>	<u>\$ (2,931)</u>	<u>\$ 227</u>	<u>\$ 244,070</u>

NOTE 4 - CAPITAL ASSETS (continued)

Construction in progress included in governmental activities capital assets at June 30, 2024 includes project information as follows:

	Project Authorization	Amounts Expended at June 30, 2024	Authorization Available
General Construction in Progress:			
Capitol Complex	\$ 270,691	\$ 46,770	\$ 223,921
Department of Corrections Institutions	184,866	77,819	107,047
Educational Institutions	1,091,000	221,797	869,203
Environmental Protection	50,360	32,192	18,168
State Parks and Forests	210,239	88,987	121,252
Veterans Homes and Military Armories	186,856	95,251	91,605
Department of Human Services Institutions	205,160	114,731	90,429
Transportation Facilities	382,940	174,135	208,805
Historical and Museum Commission Facilities	12,889	10,210	2,679
State Police Facilities	510,352	37,026	473,326
Agriculture Facilities	35,460	3,702	31,758
Department of Labor and Industry	511	69	442
Other	186,332	1,101	185,231
Total general Construction in Progress	<u>3,327,656</u>	<u>903,790</u>	<u>2,423,866</u>
Highway and Bridge Construction in Progress:	9,038,429	5,844,160	3,194,269
Total Construction in Progress	<u>\$ 12,366,085</u>	<u>\$ 6,747,950</u>	<u>\$ 5,618,135</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, 2024 the remaining amount of governmental activities capital assets related to the initial June 30, 1986 valuation amounted to \$1,427,383. 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 \$55,027/\$(54,857) for governmental activities/business-type activities differ by \$170 because the **State Workers' Insurance Fund**, an enterprise fund, reports for its fiscal year ended December 31, 2023.

Fund Financial Statements

Interfund Balances

The composition of governmental and proprietary fund interfund balances reported as of June 30, 2024 is as follows, with major fund titles in bold. Aggregate nonmajor governmental funds receivables from other funds and from component units, respectively, amount to \$222,134 and \$30,583; aggregate nonmajor enterprise funds receivables from other funds amount to \$23,207; aggregate internal service funds receivables from other funds and from component units, respectively, amount to \$37,789 and \$131:

Fund Type/Fund <u>Primary Government</u>	Due From		Due To	
	Other Funds	Component Units	Other Funds	Component Units
General Fund	\$ 506,197	\$ 45,213	\$ 433,085	\$ 4,511
<u>Special Revenue:</u>				
Motor License Fund	8,826	94	68,519	2,354
Banking Fund	4	—	156	—
Milk Marketing Fund	—	—	17	—
Workmen's Compensation Administration Fund	10	—	445	—
Workers' Compensation Security Fund	—	—	2	—
Tobacco Settlement Fund	125	—	254,050	—
Public Transportation Trust Fund	115,703	—	12,699	—
Gaming Fund	4,203	29,649	149,235	—
Environmental Stewardship Fund	104	—	1,958	—
Marcellus Shale Fund	—	—	5	—
Multimodal Transportation Fund	12,684	—	82,765	—
Underground Storage Tank Indemnification Fund	—	—	37	—
Other Funds	26,387	—	31,756	119
Special Revenue subtotal	168,046	29,743	601,644	2,473
<u>Debt Service:</u>				
PA Infrastructure Investment Authority Redemption Fund	—	106	—	—
Debt Service subtotal	—	106	—	—
<u>Capital Projects:</u>				
Capital Facilities Fund	41,114	828	23,661	—
Keystone Recreation, Park and Conservation Fund	9,127	—	317	—
Public Transportation Assistance Fund	12,673	—	1,257	—
Capital Projects subtotal	62,914	828	25,235	—
<u>Enterprise:</u>				
Unemployment Compensation Fund	1,882	—	1,614	—
State Lottery Fund	268	—	159,459	—
Tuition Payment Fund	5	—	—	—
State Stores Fund	46	—	19,846	23
Commonwealth Financing Authority	207,433	—	860	—
Rehabilitation Center Fund	23	—	184	—
Philadelphia Regional Port Authority	23,167	—	71	—
Other Funds	17	—	38	—
Enterprise subtotal	232,841	—	182,072	23

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

Fund Type/Fund Primary Government	Due From		Due To	
	Other Funds	Component Units	Other Funds	Component Units
<u>Internal Service:</u>				
Purchasing Fund	\$ 29,569	\$ 131	\$ 4,919	\$ 3
Manufacturing Fund	8,220	—	535	—
Internal Service subtotal	<u>37,789</u>	<u>131</u>	<u>5,454</u>	<u>3</u>
<u>Fiduciary - Pension Trust:</u>				
State Employees' Retirement System	6,265	2,984	—	—
Public School Employees' Retirement System	22,946	—	4,593	—
Public School Employees' Retirement System - DC	—	—	696	—
Fiduciary - Pension Trust subtotal	<u>29,211</u>	<u>2,984</u>	<u>5,289</u>	<u>—</u>
Total primary government	<u>\$ 1,036,998</u>	<u>\$ 79,005</u>	<u>\$ 1,252,779</u>	<u>\$ 7,010</u>

Discretely Presented Component Units	Due From		Due To	
	Primary Government	Component Units	Primary Government	Component Units
Pennsylvania Turnpike Commission	\$ 9,520	\$ —	\$ 5,244	\$ —
Pennsylvania Housing Finance Agency	427	1,552	—	625
Pennsylvania Higher Education Assistance Agency	2	—	1,362	—
Pennsylvania Infrastructure Investment Authority	—	625	44,596	1,552
State System of Higher Education	4,405	—	965	—
Pennsylvania Industrial Development Authority	—	—	3	—
Pennsylvania Convention Center Authority	—	—	29,649	—
Other component units	2,162	—	14	—
Total component units	<u>\$ 16,516</u>	<u>\$ 2,177</u>	<u>\$ 81,833</u>	<u>\$ 2,177</u>

The amount of total reported interfund receivables of \$1,134,696 does not agree with the total reported interfund payables of \$1,343,799 at June 30, 2024 due to different fiscal year ends and reporting differences for certain funds included in the fund financial statements at June 30, 2024. The amount reported for the Pennsylvania Turnpike Commission, a discretely presented component unit, is reported at its fiscal year ended May 31, 2024; 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, 2023. The following presents a reconciliation of interfund balances reported on June 30, 2024, and those amounts that would have been reported if all funds were 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	\$ 736,059	\$ 265,409	\$ 25,245	\$ —	\$ 1,026,713
Due from pension trust funds	1,098	5,221	3,966	—	10,285
Due from component units	75,890	131	2,984	2,177	81,182
Due from primary government	—	—	—	16,516	16,516
Total	<u>\$ 813,047</u>	<u>\$ 270,761</u>	<u>\$ 32,195</u>	<u>\$ 18,693</u>	<u>\$ 1,134,696</u>

Reported Interfund Receivables \$ 1,134,696

State Employees' Retirement System increase in receivables from January 1, 2024 through June 30, 2024	89,476
Deferred Compensation Fund increase in receivables from January 1, 2024 through June 30, 2024	346
Pennsylvania Turnpike Commission decrease in receivables from June 1, 2024 through June 30, 2024	(9,507)
State Workers' Insurance Fund increase in receivables from January 1, 2024 through June 30, 2024	196
Interfund receivables reported as taxes receivable and accounts receivable by fiduciary funds	76,543
Payroll accrual at June 30, 2024 - receivables attributable to State Employees' Retirement System	53,906

Reconciled Interfund Receivables \$ 1,345,656

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Component Units	Total
Due to other funds	\$ 818,469	\$ 183,069	\$ 563	\$ —	\$ 1,002,101
Due to pension trust funds	241,495	4,457	4,726	—	250,678
Due to component units	6,984	26	—	2,177	9,187
Due to primary government	—	—	—	81,833	81,833
Total	<u>\$ 1,066,948</u>	<u>\$ 187,552</u>	<u>\$ 5,289</u>	<u>\$ 84,010</u>	<u>\$ 1,343,799</u>

Reported Interfund Payables \$ 1,343,799

State Employees' Retirement System increase in payables from January 1, 2024 through June 30, 2024	851
Deferred Compensation Fund increase in payables from January 1, 2024 through June 30, 2024	5
Pennsylvania Health Exchange Insurance Authority increase in payables from January 1, 2024 through June 30, 2024	25
Pennsylvania Turnpike Commission decrease in payables from June 1, 2024 through June 30, 2024	(4,586)
State Workers' Insurance Fund increase in payables from January 1, 2024 through June 30, 2024	128
Interfund payables reported as accounts payable by fiduciary funds	5,434

Reconciled Interfund Payables \$ 1,345,656

Advances - Fund Financial Statements

On June 30, 2024, the **General Fund** reported advances to other funds of \$64,475. 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**; and \$60,000 to the Medical Care Availability and Reduction of Error Fund. These amounts have been reported by the respective owing funds as advances from other funds, except for the **SWIF**, which reported an advance of \$2,402 at its fiscal year ended December 31, 2023.

Other advances reported as of June 30, 2024 included:

- The Workmen's Compensation Administration Fund to the Uninsured Employers Guaranty Fund (both special revenue funds) in the amount of \$16,500;
- The Pennsylvania Infrastructure Bank Fund, an enterprise fund, to the **Motor License Fund** in the amount of \$2,176, 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, 2024 is as follows, with major fund titles in bold. Aggregate nonmajor governmental fund transfers from other funds amounted to \$1,812,511 during the fiscal year ended June 30, 2024; aggregate nonmajor governmental fund transfers to other funds amounted to \$896,995. Aggregate nonmajor proprietary fund transfers from other funds amounted to \$33,634.

Primary Government	Transfers In	Transfers Out
General Fund	\$ 519,213	\$ 1,785,608
<u>Special Revenue:</u>		
Motor License Fund	19,612	140,885
Workmen's Compensation Administration Fund	2,637	—
Tobacco Settlement Fund	115,338	—
Public Transportation Trust Fund	121,990	—
Gaming Fund	—	507,891
Environmental Stewardship Fund	16,917	23,075
Vocational Rehabilitation Fund	47,942	—
Agricultural Conservation Easement Purchase Fund	12,421	—
State Farm Products Show Fund	5,000	—
Recycling Fund	1,000	—
Oil and Gas Lease Fund	—	82,608
Hazardous Sites Cleanup Fund	18,190	4,000
Marcellus Shale Fund	15,000	72,078
Uninsured Employers Guaranty Fund	256	—
State Racing Fund	12,049	—
Fish and Boat Fund	13,718	19,250
Multimodal Transportation Fund	—	82,737
Medical Marijuana Program Fund	—	31,900
Other Funds	2,214	3,219
Special Revenue subtotal	<u>404,284</u>	<u>967,643</u>
<u>Debt Service:</u>		
Capital Debt Fund	1,341,871	—
Growing Greener Bond Sinking Fund	10,217	—
Water and Sewer Assistance Bond Sinking Fund	2,704	—
Water Supply and Wastewater Treatment Sinking Fund	2,677	—
Debt Service subtotal	<u>1,357,469</u>	<u>—</u>
<u>Capital Projects:</u>		
Capital Facilities Fund	70,370	33,922
Keystone Recreation, Park and Conservation Fund	—	10,232
Public Transportation Assistance Fund	—	26,083
Capital Projects subtotal	<u>70,370</u>	<u>70,237</u>
<u>Enterprise:</u>		
Unemployment Compensation Fund	—	1,600
State Lottery Fund	87,715	250,907
State Stores Fund	—	189,941
Commonwealth Financing Authority	793,251	—
Historical Preservation Fund	1	—
Philadelphia Regional Port Authority	33,633	—
Enterprise subtotal	<u>914,600</u>	<u>442,448</u>
Total transfers, fund financial statements	3,265,936	3,265,936
Less: net elimination of governmental fund transfers	(3,738,088)	(3,738,088)
Total transfers, Statement of Activities	<u>\$ (472,152)</u>	<u>\$ (472,152)</u>

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

Primary Government Transactions with Discretely Presented Component Units

Financial Support Provided to:

Major Discretely Presented Component Units

During the fiscal year ended June 30, 2024 (May 31, 2024 for the 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)	\$	871,363
Pennsylvania Higher Education Assistance Agency (grants)		465,205
Pennsylvania Turnpike Commission (capital contributions)		163,248
Pennsylvania Housing Finance Agency (program income and fees)		67,390
Pennsylvania Infrastructure Investment Authority (grants)		29,383

Nonmajor Discretely Presented Component Units

During the fiscal year ended June 30, 2024, the Commonwealth provided financial support to nonmajor component units by appropriations, as follows:

Ben Franklin Technology Development Authority	\$	17,000
Thaddeus Stevens College of Technology		19,838
Port of Pittsburgh Commission		1,100

Financial Support Provided to the Commonwealth

During its fiscal year ended May 31, 2024, the Pennsylvania Turnpike Commission provided \$50,000 to the Public Transportation Trust Fund under the statutory provisions of Act 89 of 2013, Act 44 of 2007, and the related Lease and Funding Agreement between the Pennsylvania Turnpike Commission and the Commonwealth.

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

Governmental Activities

Long-term obligations of the Commonwealth’s governmental activities at June 30, 2024 and changes therein during the fiscal year ended June 30, 2024 are as follows:

	Issue Dates	Interest Rates	Maturity Dates Through	Bonds Authorized But Unissued	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024
GENERAL LONG-TERM OBLIGATIONS								
General Obligation Bonds Payable From								
Tax Revenues:								
Capital Facilities	2010-23	2.00-5.45%	2043	\$ 135,967,426	\$ 6,684,340	\$ 1,335,000	\$ 1,143,714	\$ 6,875,626
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	2018-20	2.00-5.00%	2040	16,000	76,915	—	47,070	29,845
Local Criminal Justice	—	—	—	3,000	—	—	—	—
Water Supply and Wastewater Treatment	2014-16	3.00-5.00%	2036	—	22,035	—	1,760	20,275
Growing Greener	2010-18	3.20-5.45%	2039	—	99,155	—	22,767	76,388
Persian Gulf Conflict Veterans Compensation	—	—	—	13,000	—	—	—	—
Refunding Bonds	2014-23	0.60-5.00%	2031	—	3,354,125	753,615	558,260	3,549,480
Total principal				136,215,134	10,236,570	2,088,615	1,773,571	10,551,614
Unamortized premium on bonds issued				—	528,449	242,610	160,132	610,927
Unamortized discount on bonds issued				—	(6,929)	—	(677)	(6,252)
Total general obligation bonds payable				\$ 136,215,134	\$ 10,758,090	\$ 2,331,225	\$ 1,933,026	\$ 11,156,289
Other General Long-Term Obligations								
Payable From Tax and Other Revenues:								
Installment Purchase Liabilities ⁽¹⁾					7,627	7,239	6,469	8,397
Right-to-use Liabilities ⁽¹⁾					1,178,971	162,249	194,785	1,146,435
Self-Insurance---Note 8 ⁽¹⁾					982,958	115,113	115,581	982,490
Compensated Absences ⁽¹⁾					882,315	9,584,608	9,548,706	918,217
Other ⁽¹⁾					2,571,910	591,444	600,684	2,562,670
Subtotal					5,623,781	10,460,653	10,466,225	5,618,209
TOTAL GENERAL LONG-TERM OBLIGATIONS					\$ 16,381,871	\$12,791,878	\$ 12,399,251	\$ 16,774,498

Totals may not foot due to rounding.

(1) The reported current liability portion of: Installment Purchase Obligations is \$2,930; Right-to-use Liabilities is \$148,543; Self-Insurance is \$113,544; Compensated Absences is \$161,229; and Other Liabilities is \$610,923.

Total principal "Additions" above, amounting to \$2,088,615, are equal to bonds issued reported in the governmental funds statement of revenues, expenditures, and changes in fund balances for the fiscal year ended June 30, 2024.

The total "Additions" of \$2,331,225 for general obligation bonds payable at June 30, 2024 consist of total bond proceeds of \$2,088,615 for governmental funds (including a premium of \$242,610).

The total "Reductions" of \$1,933,026 for general obligation bonds payable at June 30, 2024 consists of total principal repayments of \$1,773,571 plus \$160,132 of bond premium and \$677 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, 2024 are \$610,927 and \$6,252, respectively.

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

The Commonwealth has pledged its full faith and credit for the payment of principal and interest on its general obligation bonds. The **General Fund**, the **Motor License Fund**, and the Gaming Fund transferred amounts to debt service funds for general obligation bond principal and interest payments. During the fiscal year ended June 30, 2024, these funds transferred \$1,169,619, \$124,252, and \$48,000 respectively, to the Capital Debt Fund. The Capital Debt Fund reported \$1,349,702 (99%) of total Debt Service funds principal and interest expenditures of \$1,366,022. 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 a 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 the **General Fund**, **Motor License Fund**, special revenue assessments, and/or other governmental fund tax revenues, investment earnings, and/or escheated property are the following at June 30, 2024:

Workers' compensation security trust claims	\$ 265,938
Catastrophic loss benefits claims	68,142
Medical Care Availability & Reduction of Error claims - Note 11 ..	1,160,903
Underground Storage Tank Indemnification claims - Note 11	243,070
Public Utility Realty Tax Act (PURTA) liability	31,237
State Insurance Fund claims	8,422
Restricted receipts liability	2,497
Escheated property liability	441,770
Pollution remediation liability	147,847
Asset retirement obligation	192,844
Total	<u><u>\$ 2,562,670</u></u>

The Workers' Compensation Security Trust Fund provides for the 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 the 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 in which 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, 2024 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 or 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, 2024, the Commonwealth recognized recovery receivables of \$6,822 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, 2024. 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 ranges 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, 2024. Obligations are funded by the **General Fund**, the 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 \$79,057,621 as of August 31, 2024, with net debt outstanding after credit for refunded debt of \$9,662,211.

The following table presents annual principal and interest payments for long-term debt outstanding as of June 30, 2024:

GENERAL LONG-TERM OBLIGATIONS

<u>For the fiscal year ending June 30,</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030-34</u>	<u>2035-39</u>
Capital Facilities	\$ 703,310	\$ 671,230	\$ 665,583	\$ 689,777	\$ 654,075	\$ 3,104,090	\$ 2,070,143
Disaster Relief	—	—	—	—	—	—	—
Land and Water Development	—	—	—	—	—	—	—
Nursing Home Loan Development	—	—	—	—	—	—	—
Volunteer Companies Loan	—	—	—	—	—	—	—
Vietnam Conflict Veterans Compensation	—	—	—	—	—	—	—
Water Facilities Loan	—	—	—	—	—	—	—
Pennsylvania Economic Revitalization	—	—	—	—	—	—	—
Pennsylvania Infrastructure Investment Authority	2,543	2,544	2,542	2,546	2,546	12,934	12,219
Local Criminal Justice	—	—	—	—	—	—	—
Water Supply and Wastewater Treatment	2,679	1,126	1,126	2,845	1,071	15,073	2,027
Growing Greener	9,943	10,001	10,637	10,683	10,737	29,389	15,635
Persian Gulf Conflict Veterans Compensation	—	—	—	—	—	—	—
Refunding Bonds	668,256	717,568	669,988	535,498	462,681	1,062,837	—
Total Principal and Interest	1,386,731	1,402,469	1,349,876	1,241,349	1,131,110	4,224,323	2,100,024
Less: Interest Payments	(454,476)	(406,413)	(357,785)	(312,364)	(267,576)	(838,764)	(295,389)
Total General Obligation Bonds	932,255	996,056	992,091	928,985	863,534	3,385,559	1,804,635
Other General Long-Term Obligations	1,040,211	532,187	495,005	448,043	397,719	1,630,613	779,767
TOTAL GENERAL LONG-TERM OBLIGATIONS...	\$ 1,972,466	\$ 1,528,243	\$ 1,487,096	\$ 1,377,028	\$ 1,261,253	\$ 5,016,172	\$ 2,584,402

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

GENERAL LONG-TERM OBLIGATIONS

For the fiscal year ending June 30,	2040-44	2045-49	Thereafter	Total
Capital Facilities	\$ 702,340	\$ —	\$ —	\$ 9,260,548
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	1,501	—	—	39,375
Local Criminal Justice	—	—	—	—
Water Supply and Wastewater Treatment	—	—	—	25,947
Growing Greener	—	—	—	97,025
Persian Gulf Conflict Veterans Compensation	—	—	—	—
Refunding Bonds	—	—	—	4,116,828
Total Principal and Interest	703,841	—	—	13,539,723
Less: Interest Payments	(55,342)	—	—	(2,988,109)
Total General Obligation Bonds	648,499	—	—	10,551,614
Other General Long-Term Obligations	292,773	959	932	5,618,209
TOTAL GENERAL LONG-TERM OBLIGATIONS ...	\$ 941,272	\$ 959	\$ 932	\$16,169,823

Right-to-use Liabilities

The Commonwealth routinely leases various facilities and equipment and enters into subscription-based information technology arrangements for software instead of purchasing assets. In addition, the Commonwealth routinely acquires certain capital assets using installment purchase arrangements. The lease contracts, at times, include variable payments, residual value guarantees, or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. For the fiscal year ended June 30, 2024, the Commonwealth recognized expenses for lease variable payments related to index changes and payments based on performance of \$8,682 and termination penalties of \$158. There were no residual guarantee or termination payments expensed for the fiscal year ended June 30, 2024. The software subscription contracts, at times, include variable payments or termination penalties that are not known or certain to be exercised at the time of the subscription liability valuation. These are recognized as expenses in the period that they occur. For the fiscal year ended June 30, 2024, the Commonwealth recognized expenses for subscription variable payments related to index changes and payments based on performance of \$541. There were no termination payments expensed for the fiscal year ended June 30, 2024. The following is a schedule by fiscal year of future minimum payments due for leases, installment purchases, and subscription-based information technology arrangements, together with the present value of the net minimum lease and software subscription payments, as of June 30, 2024:

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

Fiscal Year Ending June 30,	Right-to-use Liabilities					
	Installment Purchase Liabilities		Lease Liabilities		Subscription-based Information Technology Arrangements	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 2,930	\$ 297	\$ 129,696	\$ 25,657	\$ 18,847	\$ 993
2026	2,817	193	114,325	22,622	14,378	501
2027	2,449	94	103,057	19,971	6,169	211
2028	201	12	96,756	17,506	3,532	88
2029	—	—	85,562	15,263	943	44
2030-34	—	—	297,748	50,193	1,972	47
2035-39	—	—	149,150	20,940	—	—
2040-44	—	—	122,409	5,367	—	—
2045-49	—	—	959	215	—	—
Thereafter	—	—	932	65	—	—
Total Right-to-use and Installment Purchase Liabilities	\$ 8,397	\$ 596	\$ 1,100,594	\$ 177,799	\$ 45,841	\$ 1,884

Refunded Debt Information

During the fiscal year ended June 30, 2024, the Commonwealth issued \$753,615 in general obligation bonds, First Refunding Series of 2023 with an average interest cost of 2.7% to advance refund \$845,390 of previously issued general obligation bonds with average interest rates of 4.4%. The net refunding bond proceeds of \$850,365 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 \$99,709 and to obtain an economic gain of \$80,706.

A deferred inflow of resources of \$15,345 for net refunding gain was reported in the statement of net position. Bond issuance costs of \$1,167 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, 2024, zero 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 29 years, with a one time lump-sum net payment of \$200,000 paid to the Commonwealth. This agreement was secured with the 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, 2024, the Commonwealth made annual installment payments for the principal and interest totaling \$4,555 and \$8,701, respectively. The other financing obligation at June 30, 2024 consists of \$180,415 in principal and \$7,928 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 by the issuance of Commonwealth certificates of participation totaling \$114,845. The guaranteed energy savings from the improvements were designed to be sufficient to fund future installment payments. These certificates are secured and payable by the Commonwealth through the installment agreement

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

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, 2024, the Commonwealth made annual installment payments for the principal and interest totaling \$9,915 and \$1,460, respectively. As of June 30, 2024, total principal remaining on the certificates of participation is \$21,660.

The tables for the balances and changes in the certificates of participation balances as of June 30, 2024 and the annual principal and interest payments are as follows:

	Date	Interest Rates	Maturity Dates Through	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024
CERTIFICATES OF PARTICIPATION							
Certificates of Participation Payable From Appropriation:							
Series A of 2018	2018	3.63-5.85	2046	\$ 184,970	\$ —	\$ 4,555	\$ 180,415
2010 - Multiple Series	2010	1.15-7.11	2027	31,575	—	9,915	21,660
Total principal				216,545	—	14,470	202,075
Unamortized premium on certificates issued				8,935	—	1,007	7,928
Total certificates of participation payable				\$ 225,480	\$ —	\$ 15,477	\$ 210,003

CERTIFICATES PAYABLE FROM APPROPRIATION

For the fiscal year ending June 30,	2025	2026	2027	2028	2029	2030-34	2035-39
Certificates of Participation (Principal and Interest)	\$ 21,731	\$ 20,841	\$ 20,629	\$ 13,255	\$ 13,253	\$ 66,281	\$ 66,281
Less: Interest payments	(9,466)	(8,746)	(8,259)	(7,720)	(7,443)	(32,831)	(24,306)
Total Certificates of Participation	\$ 12,265	\$ 12,095	\$ 12,370	\$ 5,535	\$ 5,810	\$ 33,450	\$ 41,975

For the fiscal year ending June 30,	2040-44	2045-46	Total
Certificates of Participation (Principal and Interest)	\$ 66,283	\$ 26,510	\$ 315,064
Less: Interest payments	(12,708)	(1,510)	(112,989)
Total Certificates of Participation	\$ 53,575	\$ 25,000	\$ 202,075

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, 2024, the total principal remaining on the debt service is \$195,465.

Additionally, the Commonwealth previously entered into a service agreement with a public financing authority, which financially obligated the Commonwealth for debt service principal and interest payments for bonds issued by the public financing authority to provide grant funding for Commonwealth counties to acquire new Voting Apparatus Systems (voting bonds). The other financing obligation at June 30, 2024 consists of \$48,450 in principal and \$4,576 in unamortized premium.

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

Total debt service requirements for the bonds at June 30, 2024 are as follows:

Fiscal Year Ending June 30,	Total Other Financing Obligations
2025	\$ 21,982
2026	21,977
2027	21,971
2028	28,533
2029	31,871
2030-34	129,454
2035-39	130,306
Total principal and interest	386,094
Less: interest	(142,179)
Total Principal	\$ 243,915

Total bond principal and interest payments made during the fiscal year ended June 30, 2024 for the PCCA bonds and voting bonds amounted to zero and \$12,735, and \$7,060 and \$2,195, respectively. The debt service for the PCCA bonds was financed by \$8,391 from the City (in the form of an annual service fee), \$4,291 from the U.S. Treasury (in the form of a Build America Bonds interest subsidy for Series B of the bonds), and \$53 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 \$210,000; a total of \$51,798 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 \$28,977; 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 \$330,723 at June 30, 2024. Amounts to be financed by the Gaming Fund under the provisions of Act 53 of 2007 are established each fiscal year and will vary based on bond trustee investment earnings and other amounts due under the bond trust indenture and other contractual agreements. No Gaming Fund payment was required for the fiscal year ended June 30, 2024.

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

Business-Type Activities

Tuition Benefits Payable

The reported liability for tuition benefits payable of \$1,725,491 of the **Tuition Payment Fund**, an enterprise fund, at June 30, 2024 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, 2023	Additions	Reductions	Balance at June 30, 2024	Current Due within One Year	Noncurrent Due after One Year
\$ 1,697,636	\$ 275,979	\$ 248,124	\$ 1,725,491	\$ 310,015	\$ 1,415,476

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

Insurance Loss Liability

The reported insurance loss liability of the **State Workers' Insurance Fund (SWIF)**, an enterprise fund, is primarily based on historical claims experience. One of the assumptions used to determine the reported liability amount includes using a discount rate of 2.0% on December 31, 2023 and December 31, 2022. 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, 2023 and 2022, 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	
2023	\$ 1,218,838	\$ 95,652	\$ 36,405	\$ 31,886	\$ 96,320	\$ 1,222,689
2022	\$ 1,122,381	\$ 108,414	\$ 128,909	\$ 35,178	\$ 105,688	\$ 1,218,838

The current portion of the total **SWIF** insurance loss liability is \$127,556 and the noncurrent portion is \$1,095,133. Additionally, nonmajor enterprise funds reported a noncurrent insurance loss liability of \$166 at June 30, 2024. Total reported current insurance loss liability amounts to \$127,556 and total noncurrent insurance loss liability amounts to \$1,095,299 as of June 30, 2024.

Compensated Absences Liability

The reported compensated absences liability for the enterprise funds totaled \$44,966 as of June 30, 2024. Of that amount, the liability is primarily owed by the **State Stores Fund** (\$35,695), the **SWIF** (\$2,305), and the **State Lottery Fund** (\$3,887). The following summary provides aggregated information reported for June 30, 2024 compensated absences liabilities, additions and reductions during the fiscal year ended June 30, 2024 and reported compensated absences liabilities at June 30, 2024:

Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024
\$ 42,720	\$ 544,085	\$ 541,839	\$ 44,966

The current portion of the total compensated absences liability for enterprise funds is \$7,631; the noncurrent portion is \$37,335.

Right-to-use Liabilities

Certain enterprise funds (including the Philadelphia Regional Port Authority, blended component unit) routinely lease various facilities and equipment, and enters into subscription-based information technology arrangements for software instead of purchasing the assets. The lease contracts, at times, include variable payments, residual value guarantees, or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. For the fiscal year ended June 30, 2024, enterprise funds recognized expenses for lease variable payments related to index changes and payments based on performance of \$1,303. The software subscription contracts, at times, include variable payments or termination penalties that are not known or certain to be exercised at the time of the subscription liability valuation. These are recognized as expenses in the period that they occur. There were no variable payments or termination payments expensed for the fiscal year ended June 30, 2024. The following is a schedule by fiscal year future minimum payments due for leases and subscription-based information technology arrangements, together with the present value of the net minimum lease and software subscription payments as of June 30, 2024:

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

Fiscal Year Ending June 30,	Right-to-use Liabilities			
	Lease Liabilities		Subscription-based Information Technology Arrangements	
	Principal	Interest	Principal	Interest
2025	\$ 60,971	\$ 4,946	\$ 4,849	\$ 179
2026	52,690	3,698	6,001	33
2027	42,323	2,622	—	—
2028	34,128	1,720	—	—
2029	22,599	1,054	—	—
2030-34	30,279	1,667	—	—
2035-39	1,748	41	—	—
Total Right-to-use Liabilities	\$ 244,738	\$ 15,748	\$ 10,850	\$ 212

The following summary provides aggregated information reported for June 30, 2024 lease liabilities and subscription-based information technology arrangement liabilities; additions and reductions during the fiscal year ended June 30, 2024 and reported lease liabilities and subscription-based information technology arrangement liabilities at June 30, 2024:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024
Right-to-use liabilities	\$ 254,757	\$ 68,525	\$ 67,694	\$ 255,588

Revenue Bonds Payable

Revenue bond obligations of the enterprise fund, the Commonwealth Financing Authority, blended component unit at June 30, 2024, and changes during the fiscal year ended June 30, 2024 are as follows:

	Issue Dates	Interest Rates	Maturity Dates Through	Balance			Balance June 30, 2024
				July 1, 2024	Additions	Reductions	
REVENUE BONDS PAYABLE							
Commonwealth Financing Authority	2005-20	0.55-6.40%	2042	\$ 4,212,960	\$ —	\$ 149,895	\$ 4,063,065
Total principal obligations				4,212,960	—	149,895	4,063,065
Less: unamortized bond discount				(2,615)	—	(179)	(2,436)
Add: unamortized bond premium				116,762	—	9,531	107,231
TOTAL REVENUE BONDS PAYABLE				\$ 4,327,107	\$ —	\$ 159,247	\$ 4,167,860

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

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

<u>REVENUE BONDS PAYABLE</u>							
<u>For the fiscal year ending June 30,</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030-34</u>	<u>2035-39</u>
Commonwealth Financing Authority							
Principal and Interest	\$ 332,009	\$ 316,544	\$ 311,787	\$ 310,224	\$ 326,334	\$ 1,801,574	\$ 1,803,418
Less: Interest Payments	(174,994)	(167,184)	(159,702)	(152,484)	(145,349)	(584,554)	(280,523)
TOTAL PRINCIPAL OBLIGATIONS	\$ 157,015	\$ 149,360	\$ 152,085	\$ 157,740	\$ 180,985	\$ 1,217,020	\$ 1,522,895
<u>For the fiscal year ending June 30,</u>	<u>2040-44</u>	<u>Total</u>					
Commonwealth Financing Authority							
Principal and Interest	\$ 559,824	\$ 5,761,714					
Less: Interest Payments	(33,859)	(1,698,649)					
TOTAL PRINCIPAL OBLIGATIONS	\$ 525,965	\$ 4,063,065					

NOTE 7 - SHORT-TERM DEBT

On November 16, 2023, the Commonwealth initiated a Capital Funding Investment Agreement (Investment Agreement) between the Treasury Department and the Office of the Budget for \$500,000 and an expiration date of no later than five business days after the date that the issuing officials close the Commonwealth's next general obligation bond sale or March 1, 2024, whichever date came first. The Investment Agreement was structured as a revolving line of credit, which imposes a 5.37% rate of return for 30 days beginning on the date that the first advance was deposited in the Capital Facilities Fund. The interest rate applicable to the aggregate amount of the unpaid advances was reset on the first day of each succeeding 30 day period at the annual rate earned by the Treasury Department's Short-term Investment Pool (STP) on the day before the reset. An advance of \$200,000 was made to the Capital Facilities Fund on November 17, 2023. On December 20, 2023, the principal of \$200,000 was repaid and the Investment Agreement expired. Additionally, per the Investment Agreement, the interest calculated at \$883 was repaid along with the principal.

	Balance			Balance		
	July 1, 2023		Additions	Reductions	June 30, 2024	
STIP	\$	—	\$ 200,000	\$ 200,000	\$	—

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 and hospital claims and for tort liability claims. Major tort risks include automobile, employee, and general torts. For property losses, the Commonwealth has a \$1,000 retention policy 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, 2024. 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, 2024. No settlements exceeded commercial insurance coverage during any of the past three fiscal years.

At June 30, 2024, none of the \$982,490 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** (\$802,039) and the **Motor License Fund** (\$150,982). Business-type activity liabilities are primarily owed by the **Unemployment Compensation Fund** (\$2,432), the **State Lottery Fund** (\$1,287), the **State Workers’ Insurance Fund** (\$480), and the **State Stores Fund** (\$48,706), all enterprise funds. All accrued self-insurance liabilities as of June 30, 2024 are summarized as follows:

	Government Activities		Business-Type Activities	
	Current	Noncurrent	Current	Noncurrent
Employee disability	\$ 86,145	\$ 763,011	\$ 5,466	\$ 48,409
Automobile tort	2,898	4,411	—	—
Employee tort	15,536	76,727	—	—
General tort	732	3,014	—	—
Transportation	8,233	21,783	—	—
Totals	<u>\$ 113,544</u>	<u>\$ 868,946</u>	<u>\$ 5,466</u>	<u>\$ 48,409</u>

NOTE 8 - SELF-INSURANCE LIABILITIES (continued)

The following summary provides aggregated information on June 30, 2023 reported self-insurance liabilities, incurred claims and payments during the fiscal year ended June 30, 2024 and reported self-insurance liabilities at June 30, 2024:

	June 30, 2023	Incurred Claims		Payments		June 30, 2024
	Liability	Current	Prior	Current	Prior	Liability
Employee disability	\$ 921,722	\$ 72,638	\$ 7,315	\$ 9,087	\$ 89,557	\$ 903,031
Automobile tort	5,661	3,540	2,182	642	3,432	7,309
Employee tort	82,041	15,682	988	146	6,302	92,263
General tort	3,618	758	94	26	698	3,746
Transportation	23,068	9,504	7,186	1,271	8,471	30,016
Totals	<u>\$ 1,036,110</u>	<u>\$ 102,122</u>	<u>\$ 17,765</u>	<u>\$ 11,172</u>	<u>\$ 108,460</u>	<u>\$ 1,036,365</u>

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

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

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	\$ 18,010,200	\$ 267,986	\$ 18,278,186
Deferred outflows of resources	\$ 4,268,338	\$ 46,534	\$ 4,314,872
Deferred inflows of resources	\$ 388,349	\$ 6,630	\$ 394,979
Net Pension expense	\$ 2,185,797	\$ 23,432	\$ 2,209,229

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, 2023 there were 98 employer state agencies and other organizations participating in the SERS.

Retirement Benefits: Article II of the Pennsylvania Constitution provides the General Assembly with the authority to establish and amend plan benefit provisions. The SERS provides retirement, death, and disability benefits. Most employees who entered SERS membership prior to January 1, 2011, and who retire at age 60 with three years of service, or at any age with 35 years of service, are entitled to a full retirement benefit. Members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50 with at least three years of service. Act 2010-120 preserved all benefits in place for existing members but mandated a number of benefit reductions for new members effective January 1, 2011, through December 31, 2018. Act 2010-120 created a class of service in which members earn a benefit of 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 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 on July 1, 2001. The general annual benefit for Class A members is 2% of the member's highest three-

NOTE 9 - PENSION (continued)

year 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 the 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 their final average salary for each year of service. Legislators taking office before December 1, 2010 are Class D-4. The multiplier for Class D-4 is 1.5, which translates into an annual benefit of 3% of the final average salary for each year of service. Act 120 of 2010 created an A-3 class of service and an optional A-4 class for most employees that entered SERS membership for the first time on or after January 1, 2011 and December 1, 2010 for legislators newly elected in November 2010 through December 31, 2018. On or after January 1, 2019, class A-3 is only offered to hazardous duty employees. Employees who enter SERS membership under Act 2010-120 enter as members of the A-3 class with a 45-day window to elect membership in the optional A-4 class. The general annual benefit for Class A-3 members is 2% of the member's highest three-year average salary multiplied by years of service, while the Class A-4 benefit accrual rate is 2.5%. Act 2017-5 created a new A-5 hybrid class of service with optional hybrid A-6 class and straight defined contribution-only plan options for state employees (excluding most hazardous duty employees) who first enter SERS membership on or after January 1, 2019. Employees who enter SERS membership under Act 2017-5 enter as members of the A-5 class with a 45-day window to elect membership in the optional A-6 class or straight Defined Contribution Plan. The general annual benefit for Class A-5 members is 1.25% of the 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 \$2,094,016 for the year ended June 30, 2024.

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 they are due and the employer has a legal requirement to provide contributions. Benefits, disbursements, and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis.

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

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

NOTE 9 - PENSION (continued)

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

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2024, the Commonwealth reported a total net pension liability of \$18,010,200 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, 2023, 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, 2023 the Commonwealth’s reported proportionate share of the SERS net pension liability was 93.05%, which was an increase of 0.73% from its proportion measured as of December 31, 2022. Liabilities are funded through the payroll complement rates within each fund. The **General Fund** and **Motor License Fund** funded 82.86% and 12.02%, respectively, of the Commonwealth’s governmental activities pension contributions for the calendar year ended December 31, 2023.

As of June 30, 2024, the Commonwealth recognized a defined benefit pension expense of \$2,185,797 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS (December 31, 2023)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 508,496	\$ 36,603
Differences between employer contributions and proportionate share	30,726	33,707
Net difference between projected and actual earnings on plan investments	1,415,045	—
Changes of assumptions	776,151	—
Changes in proportion	506,651	318,039
Contributions subsequent to measurement date	1,031,269	—
Total	\$ 4,268,338	\$ 388,349

The \$1,031,269 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, 2025. 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, 2023)
2024	\$ 888,735
2025	\$ 845,312
2026	\$ 1,318,863
2027	\$ (212,835)
2028	\$ 8,645

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 the oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates). The 19th Investigation of Actuarial Experience study for the period 2015-2019 was released and approved by the SERS Board in July 2020. The study recommended decreasing the investment rate of return and inflation assumptions, reducing rates of career salary growth, more favorable annuitant mortality assumptions, and several other changes. The assumptions from this study were effective with the December 31, 2020 valuation going forward unless changed by the SERS board. The study can be viewed at www.sers.pa.gov.

NOTE 9 - PENSION (continued)

The actuary and SERS Board review the investment rate of return annually, in addition to the normal five-year experience study cycle, in recognition of changing market environments to ensure this assumption remains reasonable with each actuarial valuation. In June 2023 the board deliberated and decided to maintain the 6.875% investment return assumption for the December 31, 2023, valuation.

The following methods and assumptions were used in the actuarial valuation for the December 31, 2023 measurement date.

Actuarial Cost Method	Entry age
Investment rate of return	6.875% net of expenses including inflation
Projected salary increases	Average of 4.55% with range of 3.30% to 6.95% including inflation
Asset valuation method	Fair (market) value
Inflation	2.50%
Mortality Rate	Projected PubG-2010 and PubNS-2010 Mortality Tables adjusted for actual plan experience and future improvement for retirees, beneficiaries, and survivors and rates determined by SERS' actuaries using actual SERS experience for pre-retirement active members
Cost of living adjustments	None (ad hoc)

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

SERS (December 31, 2023)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Private equity	16.00 %	6.00 %
Real estate	7.00 %	4.80 %
U.S. equity	31.00 %	4.85 %
International developed markets equity	14.00 %	4.75 %
Emerging markets equity	5.00 %	4.95 %
Fixed income	22.00 %	1.75 %
Inflation protection (TIPS)	3.00 %	1.50 %
Cash	2.00 %	0.25 %
Total	100.00 %	

Discount rate: The discount rate used to measure the total pension liability was 6.875% for 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable to 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 to current active and non-active plan members. Therefore, the long-term expected investment rate of return on the defined benefit plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following chart presents the Commonwealth's proportionate share of the SERS net pension liability using the discount rate (6.875%), as well as what the Commonwealth's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.875%) or 1 percentage point higher (7.875%) than the current rate:

NOTE 9 - PENSION (continued)

	1% Decrease (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)
SERS (December 31, 2023)	\$ 23,635,257	\$ 18,010,200	\$ 13,260,022

Payables to the Pension Plan: For the fiscal year ended June 30, 2024, the Commonwealth reported an accounts payable for the employer’s share of retirement contributions to the SERS in the amount of \$54,070.

State Employees’ Retirement System - Defined Contribution

Plan Description: The SERS is the administrator of the State Employees Defined Contribution Plan, an investment plan that was established as part of Act 2017-5 to provide retirement benefits for employees of the state government and certain independent agencies. Enrollment in the investment plan opened on 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 entered 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 the 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 from other qualified plans into the plan. While participant contributions are immediately vested, 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 \$20,547 for the year ended June 30, 2024.

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, 2024 there were 763 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 introduces benefit reductions for individuals who become new members on or after July 1, 2011 through June 30, 2019. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

NOTE 9 - PENSION (continued)

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H), and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirements, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1% and 2.5%, depending upon membership class, of the member's final average salary (as defined in the Pennsylvania Public School Employees' Retirement Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested, and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contribution Requirements: The Public School Employees' Retirement Code provides that the PSERS Board has the authority to establish or amend periodic employer contributions at actuarially determined rates, expressed as a percentage of the 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 for at least 50% of the total employer contributions based on the total contribution rate. The Commonwealth remits 50% of employer contributions for employers other than school entities directly to the PSERS, resulting in a special funding situation.

The contribution rates for active plan memberships started prior to July 1, 2011 are as follows:

- Membership Class T-C and T-D hired before July 22, 1983 are 5.25% and 6.50% of covered payroll, respectively;
- Membership Class T-C and T-D hired after July 21, 1983 are 6.25% and 7.50%, respectively.

The contribution rates for active plan memberships started on or after July 1, 2011 and before July 1, 2019 are as follows:

- Membership Class T-E base rate is 7.50%, with a shared risk provision providing for a 5.50% minimum and 9.50% maximum;
- Membership Class T-F base rate is 10.30%, with a shared risk provision providing for an 8.30% minimum and 12.30% maximum.

The contribution rates for active plan memberships started on or after July 1, 2019 are as follows:

- Membership Class T-G base rate is 5.50%, with a shared risk provision providing for a 2.50% minimum and 8.50% maximum.
- Membership Class T-H base rate is 4.50%, with a shared risk provision providing for a 1.50% minimum and 7.50% maximum.

Contributions to the PSERS from the Commonwealth for employers other than school entities were \$32,832 for the year ended June 30, 2024.

NOTE 9 - PENSION (continued)

Summary of Significant Accounting Policies: The financial statements of the PSERS are prepared on the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. Member and employer contributions are recognized in the period for which employees’ salaries are reported. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investment Valuation: The PSERS’ investments are reported at fair value. Fair value is the amount that the PSERS can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale.

Short-term securities are carried at cost, which approximates fair value, unless they have published market prices or quotations from national securities exchanges or securities pricing services, in which case they are valued at the published market price. Fixed-income securities and common and preferred stocks are generally valued based on published market prices and quotations from national securities exchanges or securities pricing services. Securities that are not traded on a national securities exchange are valued by the respective fund manager or other third parties based on similar sales.

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

Alternative investments, which include private equity, equity real estate, private credit, and private infrastructure investments, are generally organized as limited partnerships. The fair value of investments that are organized as limited partnerships and have no readily available daily fair value has been determined using the NAV per share (or its equivalent) of the PSERS’ ownership interest in partners’ capital.

Directly-owned real estate investments are valued based upon the June 30th financial statements completed by the asset manager. The directly-owned real estate investments are appraised annually by an independent third-party appraiser as of calendar year-end, unless subject to a waiver as approved by the Deputy CIO or CIO. Properties not appraised are internally valued by the asset manager at fair market value. Certain properties acquired with no appraisal are held at cost. Directly-owned real estate investments are reported net of related debt borrowed against the market value of the property.

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2024, the Commonwealth reported a liability of \$267,986 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023 the Commonwealth’s proportion was .6024%, which was a increase of .0062% from its proportion measured as of June 30, 2022.

As a result of its requirement to contribute to the PSERS, the Commonwealth recognized an expense of \$23,432 for the year ended June 30, 2024. At June 30, 2024 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, 2024)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience.....	\$ 61	\$ 3,669
Differences between employer contributions and proportionate share	—	32
Net difference between projected and actual earnings on plan investments	7,584	—
Changes of assumptions	3,999	—
Changes in proportion.....	2,058	2,929
Contributions subsequent to measurement date	32,832	—
Total	\$ 46,534	\$ 6,630

NOTE 9 - PENSION (continued)**Public School Employees' Retirement System - Defined Contribution**

Plan Description: The PSERS is the administrator of the Public School Employees Defined Contribution (DC) Plan, an investment plan that 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 a separate defined contribution membership class, Membership Class DC (Class DC). Under the PSERS DC Plan, the retirement benefit is based on the amount of contributions in the account and any investment performance less expenses. DC participants are always 100% vested in their own mandatory before-tax, after-tax, and rollover contributions in the DC plan. DC participants who have at least three eligibility points become vested and eligible for employer DC contributions made on their behalf. Participants with fewer than three eligibility points are not eligible to receive employer contributions. DC account balances can grow based on investment earnings; however, DC account balances are not guaranteed against losses in declining investment markets. Each eligibility point is earned the first day a contribution is made to the plan on behalf of a DC participant in a school year (July 1-June 30). Only one eligibility point may be credited in a school year.

Contribution Requirements:

Members hired after July 1, 2019 have a portion of each member and employer contribution to the system set aside for the DC plan. Member and employer rates are set by statute. A member may elect to make additional voluntary post-tax member contributions.

- Membership Class T-G defined contribution rates are 2.75%;
- Membership Class T-H defined contribution rates are 3.00%
- Membership Class DC defined contribution rates are 7.50%

Pension expense, consisting of contributions to the PSERS from the Commonwealth for the defined contribution plan, was negligible for the year ended June 30, 2024.

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), the 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 that 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 part of collective bargaining agreements with most Commonwealth labor unions. The RPSPP is provided as a part of collective bargaining agreements with certain Commonwealth labor unions. All policy decisions and types and levels of benefits for the REHP and RPSPP fall under the purview of the Commonwealth's Executive Board, Secretary of Administration, and for the RPSPP, the collective bargaining agreement with the Pennsylvania State Troopers Association. Neither the REHP nor the RPSPP have a governing board. The REHP offers postemployment healthcare and prescription benefits. The RPSPP offers postemployment healthcare, prescription, vision, and dental benefits.

The Judiciary has established and sponsors its own single-employer defined-benefit OPEB plan. A trust or equivalent arrangement meeting the requirements of GASB 74 has not been established for the Judiciary OPEB plan, and assets have not been accumulated to fund OPEB. All policy decisions related to the types and levels of benefits, including changes to benefit terms and authority to pay benefits as they come due for the Judiciary OPEB plan, fall under the purview of the Supreme Court. The Judiciary OPEB plan does not have a governing board. The Judiciary OPEB plan offers postemployment healthcare, prescription, vision, and dental benefits.

The House of Representatives has established and sponsors its own single-employer defined-benefit OPEB plan. A trust or equivalent arrangement meeting the requirements of GASB 74 has not been established for the House OPEB plan and assets have not been accumulated to fund OPEB. All policy decisions related to the types and levels of benefits including changes to benefit terms and authority to pay benefits as they come due for the House OPEB plan, fall under the purview of the House of Representatives. The House OPEB plan does not have a governing board. The House OPEB plan offers postemployment healthcare, prescription, and, for certain members, vision, dental and long-term care benefits.

The Senate has established and sponsors its own single-employer defined-benefit OPEB plan. A trust or equivalent arrangement meeting the requirements of GASB 74 has not been established for the Senate OPEB plan, and assets have not been accumulated to fund OPEB. All policy decisions related to the types and levels of benefits, including changes to benefit terms and authority to pay benefits as they come due for the Senate OPEB plan, fall under the purview of the Senate. The Senate OPEB plan does not have a governing board. The Senate OPEB plan offers postemployment healthcare, prescription, and, for certain members, vision and dental benefits.

The Premium Assistance plan is a governmental cost-sharing, multiple-employer other postemployment benefit plan for all eligible public school 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, all policy decisions related to types and levels of benefits, and the authority to pay benefits as they come due. As of June 30, 2023, there were no assumed future benefit increases for 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.pasers.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 as follows:
 - Hired before 1/1/2011: Age 50 for Park Rangers, Capitol Police, and certain enforcement officers or 60 for general employees
 - Hired between 1/1/2011-12/31/2018: Age 55 for Park Rangers, Capitol Police, and certain enforcement officers or 65 for general employees
 - Hired on or after 1/1/2019: Age 55 for Park Rangers, Capitol Police, and certain enforcement officers or 67 for general employees
- 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 the 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 the State Police (military time and 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.

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

- 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.
- Judges/ District Justices:
 - Prior to attaining age 60:
 - The retiree will pay 1% of pension/75% of the premium if retiring with more than 10 and less than 18 years of judiciary service.
 - The retiree will pay 1% of pension if retiring with more than 18 years of judiciary service.
 - After attaining age 60:
 - The retiree will pay 75% of the premium if retiring with more than 3 and less than 10 years of judiciary service.
 - The retiree will pay 1% of pension if retiring with more than 18 years of judiciary service.

House

Eligible employees (members and staff) who retire from the House of Representatives and meet one of the following eligibility criteria are eligible to receive House benefits:

- Members:
 - Age 49 or younger with at least 10 years of creditable service, but less than 10 years as a legislator:
 - The House will pay \$5 per month towards the premium for Medical and prescription drug coverage. The retiree must pay the remainder.
 - Age 49 or younger with at least 10 years as a legislator (after December 1, 1992 any creditable service), age 50 or older with at least 10 years of creditable service, or member retired under disability with at least 5 years of SERS eligible service:
 - The House will pay 100% of the premiums. Beginning 2012, the retiree must contribute 1% of the retiree's final salary. Beginning October 1, 2020, retirees who receive a monthly SERS annuity will pay 1% of maximum single life annuity or if enrolled in Medicare A and B pay .5% of maximum single life annuity. Members that retired prior to November 30, 1980 are eligible for medical and prescription drug coverage. Members that retired after December 1, 1980 are eligible for medical, prescription drug, vision and dental coverage. Members that retired after December 1, 1992 are eligible for medical, prescription drug, vision, dental and long-term health care coverage.
- Staff:
 - Age 59 or younger with between 10 to 24 years of creditable service:
 - The retiree must pay for the premium for medical and prescription drug coverage. The retiree is not eligible for dental or vision
 - Age 60 or older with at least 10 years of creditable service or at least 25 years of creditable service:
 - The House will pay 100% of the premiums for medical and prescription drug coverage. If the retiree has at least 12.5 years of legislative service and the last 3 years are as an employee of the House, the retiree will receive 100% paid vision and dental coverage. Beginning January 1, 2012, the retiree must contribute 1% of the retiree's final salary annually. Beginning October 1, 2020, retirees who receive a monthly SERS annuity will pay 1% of maximum single life annuity or if enrolled in Medicare A and B pay .5% of maximum single life annuity. Retirees who are not receiving a monthly SERS annuity will pay 1% of salary at the time of retirement or .5% of salary at the time of retirement if over age 65 and are enrolled in Medicare A and B.

Senate

Eligible employees (members and staff) who retire from the Senate and meet one of the following eligibility criteria are eligible to receive Senate benefits:

- Option 1
 - For employees hired prior to October 3, 2006, individuals must have 25 years of credited service, of which 12 ½ years of such credited service were with the Legislature, and further provided that the last three (3) continuous years (4,950 hours) of credited service were with the Senate.

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

- 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.

GASB 74 Plan Reporting

REHP and RPSPP

Plan Membership: At June 30, 2024, the REHP and the RPSPP OPEB plan membership consisted of the following (actual number of plan members):

	Census date:	
	December 31, 2023	
	REHP	RPSPP
Inactive plan members or beneficiaries currently receiving benefit payments	64,116	5,517
Inactive plan members entitled to but not yet receiving benefit payments	22,934	—
Active plan members	64,585	4,639
Total all plan members	151,635	10,156

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, 2024, almost all REHP participating agencies contributed \$275 (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, 2024 participating agencies contributed \$1,500 (whole dollars) for each current RPSPP-eligible active employee per biweekly pay period to fund the RPSPP.

The REHP and RPSPP funding rates needed to fund current year annuitant health care costs are established as part of the Commonwealth’s annual budgeting process. During the fiscal year ended June 30, 2024, the Commonwealth funded \$439,659 (estimated) of annuitant health care claims and administrative costs for the REHP and \$185,585 (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, 2024, 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, 2024, the REHP and RPSPP recorded \$22,567 and \$8,561, respectively.

Specific Actuarial Assumptions: The total OPEB liability was determined by an actuarial valuation with a measurement date as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

	REHP	RPSPP
Actuarial cost method	Entry age normal	Entry age normal
Method used to determine actuarial value of assets	Market value	Market value
Investment returns	6.8%	6.8%
Inflation rate assumption	2.5%	2.5%
Payroll growth	2.8%	2.8%
Cost of living adjustment	N/A	N/A
Healthcare cost trend rates:		
Medicare retiree	8.2% for 2024 decreasing to an ultimate rate of 3.9% for 2075 and later years	5.2% for 2024 decreasing to an ultimate rate of 3.9% for 2075 and later years
Non-Medicare retiree	8.2% for 2024 decreasing to an ultimate rate of 3.9% for 2075 and later years	8.4% for 2024 decreasing to an ultimate rate of 3.9% for 2075 and later years

Pre-retirement mortality rates were based on the Pub-2010 General Employees Headcount Weighted Mortality Tables and adjusted for mortality improvements using MP-2021. Post retirement mortality rates for healthy participants were based on Pub-2010 General Employees Headcount Weighted Mortality Tables, with rates set forward one year for females and adjusted for mortality improvements using projection scale MP-2021. Post retirement mortality rates for disabled participants were based on Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Tables, with rates set forward two years for males and females and adjusted for mortality improvements using projection scale MP-2021.

Investments: The assets of both the REHP and RPSPP are managed by the Commonwealth’s Treasury Department in an investment pool. The OPEB investments are made based upon an interagency agreement dated June 17, 2008, and the prudent investor standard set forth in the Commonwealth of Pennsylvania’s fiscal code 72P.S. §30.1, amendment to the fiscal code, the Principles of Prudent Investors Standards.

Asset Class	REHP	RPSPP
	Target Allocation	Target Allocation
Domestic equity	42.00%	42.00%
International equity	22.00%	22.00%
Fixed income	22.00%	22.00%
Public RETIS	4.00%	4.00%
Infrastructure	4.00%	4.00%
CORE Real Estate	4.00%	4.00%
Cash equivalents	1.00%	1.00%
Private equity	1.00%	1.00%
Total	100.00%	100.00%

Concentration: Based on a portfolio value of \$937,355 for the REHP and \$165,412 for the RPSPP, the following investment concentrations greater than 5% existed as of June 30, 2024. In order to achieve the target return and keep costs low, asset classes have been populated with Exchange-Traded Funds (ETFs) and low-cost mutual funds.

Issuer Name	REHP		RPSPP	
	Amount	% of Total Portfolio	Amount	% of Total Portfolio
VANGUARD	\$ 181,828	17.00 %	\$ 32,087	3.00 %

Rate of Return: For the year ended June 30, 2024, the annual rate of return on investments, net of investment expense was (13.61)%. 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. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2024 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	8.80%	8.80%
International equity	5.10%	5.10%
Domestic equity	5.00%	5.00%
Infrastructure	4.30%	4.30%
Real estate	3.80%	3.80%
Core fixed income	2.40%	2.40%
Cash and cash equivalents	1.20%	1.20%

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, 2024 were as follows:

	REHP	RPSPP
Total OPEB liability	\$ 7,882,014	\$ 6,104,821
Plan fiduciary net position	(914,788)	(156,851)
Plan net OPEB liability	\$ 6,967,226	\$ 5,947,970
Plan fiduciary net position as a percentage of the total OPEB liability	11.61 %	2.57 %

Discount Rate: The discount rate used to measure the total OPEB liability of the REHP was 6.09% as of June 30, 2024. 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 2024. Since REHP has insufficient assets to meet all future years' benefit payments of the current plan members, the long-term expected rate of return on the OPEB investment pool was applied to projected benefit payments through the last year in which the plan's Fiduciary Net Position is projected to be sufficient to meet projected benefit payments and the municipal bond rate was applied to all remaining future years to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each fiscal year-end assumed that employer contributions will be made based on the current funding policy for future years.

The discount rate used to measure the total OPEB liability of the RPSPP was 3.93% as of June 30, 2024. This single discount rate was based on the 20-year Bond Buyer GO Index municipal bond rate as of the end of June 2024. 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
	5.09%	6.09%	7.09%
Net OPEB Liability	\$ 7,812,453	\$ 6,967,226	\$ 6,241,403

RPSPP	Discount Rate		
	1% Decrease		1% Increase
	2.93%	3.93%	4.93%
Net OPEB Liability	\$ 7,002,963	\$ 5,947,970	\$ 5,109,997

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 2.9%) or one percentage point higher (decreasing to 4.9%) than the current healthcare cost trend rates.

<u>REHP</u>	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>7.2%/7.2%</u>	<u>8.2%/8.2%</u>	<u>9.2%/9.2%</u>
	<u>decreasing to 2.9%</u>	<u>decreasing to 3.9%</u>	<u>decreasing to 4.9%</u>
Net OPEB Liability	\$ 6,074,965	\$ 6,967,226	\$ 8,037,813

<u>RPSPP</u>	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>7.4%/4.2%</u>	<u>8.4%/5.2%</u>	<u>9.4%/6.2%</u>
	<u>decreasing to 2.9%</u>	<u>decreasing to 3.9%</u>	<u>decreasing to 4.9%</u>
Net OPEB Liability	\$ 5,056,808	\$ 5,947,970	\$ 7,088,988

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 Plan, employer contribution rates are established to provide reserves that are sufficient for the Premium Assistance benefits for each succeeding year. For June 30, 2024, the employer contribution to the Premium Assistance was 1.02% 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 or 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, 2024, the PSERS recorded \$24,857 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	\$ 7,318,524	\$ 6,148,591	\$ 662,835	\$ 746,276	\$ 234,130	\$ 11,147	\$15,121,503
Discretely presented component units	\$ 402,391	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 402,391
Deferred outflows of resources							
Primary government	\$ 2,570,664	\$ 1,328,737	\$ 62,431	\$ 245,593	\$ 12,523	\$ 2,196	\$ 4,222,144
Discretely presented component units	\$ 91,104	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 91,104
Deferred inflows of resources							
Primary government	\$ 5,283,948	\$ 2,146,849	\$ 177,769	\$ 313,410	\$ 114,982	\$ 2,478	\$ 8,039,436
Discretely presented component units	\$ 428,631	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 428,631
OPEB (income) expense							
Primary government	\$ (1,397,886)	\$ 208,487	\$ 15,434	\$ 39,722	\$ 14,503	\$ 419	\$ (1,119,321)
Discretely presented component units	\$ (112,617)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (112,617)

*Administered through a trust

Plans Administered Through Trusts - REHP and RPSPP

Plan Membership: At June 30, 2023, the REHP and the RPSPP OPEB plan membership consisted of the following (actual number of plan members):

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

Employer Contributions: REHP employer contributions are contractually required and established by the Office of Administration and the Office of the Budget. All participating agencies and certain plan members must contribute specified amounts to the REHP. During the fiscal year ended June 30, 2023, almost all REHP participating agencies contributed \$275 (whole dollars) for each current, active REHP eligible employee per biweekly pay period to fund the REHP. Several participating agencies contribute under different but comparable payment arrangements.

RPSPP employer contribution requirements are established by the Office of Administration and the Office of the Budget. During the fiscal year ended June 30, 2023 participating agencies contributed \$1,500 (whole dollars) for each current RPSPP-eligible active employee per biweekly pay period to fund the RPSPP. 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, 2023, the Commonwealth funded \$411,133 (estimated) and \$171,426 (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 76.89% and 17.23%, respectively, of the Commonwealth’s governmental activities REHP OPEB contributions for the fiscal year ended June 30, 2023. The **General Fund** and **Motor License Fund** funded 95.84% and 0.91%, respectively, of the Commonwealth’s governmental activities RPSPP OPEB contributions for the fiscal year ended June 30, 2023. Any additional contributions to advance fund annuitant health care liabilities are determined annually by the Commonwealth. During the fiscal year ended June 30, 2023, advance funding of \$50,000 for REHP and \$1,000 for the RPSPP

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, 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

	REHP	RPSPP
Actuarial cost method	Entry age normal	Entry age normal
Method used to determine actuarial value of assets	Market value	Market value
Investment returns	6.75%	6.75%
Inflation rate assumption	2.50%	2.50%
Payroll growth	2.80%	2.80%
Cost of living adjustment	N/A	N/A
Healthcare cost trend rates:		
Medicare Retiree	9.0% for 2023 decreasing to an ultimate rate of 3.9% for 2075 and later years	7.1% for 2023 decreasing to an ultimate rate of 3.9% for 2075 and later years
Non-Medicare retiree	8.9% for 2023 decreasing to an ultimate rate of 3.9% for 2075 and later years	9.1% for 2023 decreasing to an ultimate rate of 3.9% for 2075 and later years

Pre-retirement mortality rates were based on the Pub-2010 General Employees Headcount Weighted Mortality Tables and adjusted for mortality improvements using MP-2020. Post retirement mortality rates for healthy participants were based on Pub-2010 General Employees Headcount Weighted Mortality Tables, with rates set forward one year for females and adjusted for mortality improvements using projection scale MP-2020. Post retirement mortality rates for disabled participants were based on Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Tables, with rates set forward two years for males and females and adjusted for mortality improvements using projection scale MP-2020.

The long-term expected rate of return on OPEB plan investments is determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over long periods of time to come up with an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023 are summarized in the following table:

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

Discount Rate: The discount rate used to measure the total OPEB liability was 5.65% for REHP and 3.65% for RPSPP as of June 30, 2023. The single discount rates were based on the 20-year Bond Buyer GO Index municipal bond rate as of the end of June 2022. REHP had insufficient assets to meet all year's projected benefit payments, and therefore the long-term expected rate of return on the OPEB Investment Pool was applied to projected benefit payments through the last year in which the plan's fiduciary net position is projected to be sufficient to meet projected benefit payments, and the municipal bond rate was applied to all remaining future years to determine the total OPEB liability. Since RPSPP had insufficient assets to meet next year's projected benefit payments, the municipal bond rate was applied to all periods of the projected benefit payments to

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

determine the total OPEB liability. The projection of cash flows used to determine the single discount rates for each fiscal year-end assumed that employer contributions will be made based on the current funding policy for future years.

Changes in the Net OPEB Liability:

REHP	PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS		
	Total OPEB	Plan	Net OPEB	Total OPEB	Plan	Net OPEB
	Liability	Fiduciary	Liability	Liability	Fiduciary	Liability
	(a)	Net Position	(a)-(b)	(c)	Net Position	(c)-(d)
Balance at June 30, 2022	\$ 9,625,935	\$ 441,497	\$ 9,184,438	\$ 625,432	\$ 22,870	\$ 602,562
Changes for the year:						
Service cost	239,349	—	239,349	13,159	—	13,159
Interest	463,353	—	463,353	25,477	—	25,477
Changes in assumptions	(819,279)	—	(819,279)	(45,046)	—	(45,046)
Difference between expected and actual experience	(1,347,614)	—	(1,347,614)	(74,095)	—	(74,095)
Benefit payments:						
Employer paid	(380,200)	(380,200)	—	(20,918)	(20,918)	—
Contributions:						
Employer	—	438,043	(438,043)	—	19,815	(19,815)
Administrative expenses	—	(5,130)	5,130	—	(282)	282
Net investment earnings:						
Expected investment earnings	—	41,004	(41,004)	—	2,257	(2,257)
Difference between projected and actual earnings	—	33,228	(33,228)	—	1,827	(1,827)
Change in proportionate share	(24,977)	(130,399)	105,422	(101,803)	(5,754)	(96,049)
Net Change	(1,869,368)	(3,454)	(1,865,914)	(203,226)	(3,055)	(200,171)
Balance at June 30, 2023	\$ 7,756,567	\$ 438,043	\$ 7,318,524	\$ 422,206	\$ 19,815	\$ 402,391

RPSPP	PRIMARY GOVERNMENT		
	Total OPEB	Plan	Net OPEB
	Liability	Fiduciary	Liability
	(e)	Net Position	(e)-(f)
Balance at June 30, 2022	\$ 6,735,063	\$ 120,858	\$ 6,614,205
Changes for the year:			
Service cost	167,479	—	167,479
Interest	241,339	—	241,339
Changes in assumptions- discount rate	(188,699)	—	(188,699)
Difference between expected and actual experience	(499,888)	—	(499,888)
Benefit payments:			
Employer paid	(171,608)	(171,608)	—
Contributions:			
Employer	—	172,426	(172,426)
Administrative expenses	—	(735)	735
Net investment earnings:			
Expected investment earnings	—	8,161	(8,161)
Difference between projected and actual earnings	—	5,993	(5,993)
Net Change	(451,377)	14,237	(465,614)
Balance at June 30, 2023	\$ 6,283,686	\$ 135,095	\$ 6,148,591

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability for the REHP and the RPSPP OPEB plans of the Commonwealth, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

REHP	Discount Rate		
	1% Decrease		1% Increase
Net OPEB liability	4.65%	5.65%	6.65%
Primary Government	\$ 8,226,772	\$ 7,318,524	\$ 6,543,731
Discretely presented component units	\$ 452,330	\$ 402,391	\$ 359,791

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

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the REHP and RPSPP OPEB plans of the Commonwealth, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

REHP	Healthcare Cost Trend Rates		
	1% Decrease		1% Increase
Net OPEB Liability	7.9% decreasing to 2.9%	8.9% decreasing to 3.9%	9.9% decreasing to 4.9%
Primary Government	\$ 6,375,109	\$ 7,318,524	\$ 8,457,521
Discretely presented component units	\$ 350,521	\$ 402,391	\$ 465,026

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

OPEB Expense and Deferred Outflows and Deferred Inflows: For the year ended June 30, 2024, the primary government recognized OPEB income of \$1,397,886 and expense of \$208,487 for the REHP and the RPSPP, respectively, and the discretely presented component units recognized OPEB income of \$112,617 for the REHP.

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

At June 30, 2024, 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	\$ 462,075	\$ 23,681	\$ —	\$ —
Changes in assumptions	510,327	28,060	(1,933,280)	(106,298)
Net difference between				
expected and actual plan experience	278,842	15,355	(2,215,172)	(121,796)
Net difference between				
projected and actual investment earnings	7,090	391	—	—
Changes in proportion	1,312,330	23,617	(1,135,496)	(200,537)
Total	\$ 2,570,664	\$ 91,104	\$ (5,283,948)	\$ (428,631)

RPSPP	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions		
subsequent to measurement date	\$ 186,585	\$ —
Changes in assumptions	833,673	(1,416,458)
Net difference between		
expected and actual plan experience	260,062	(683,115)
Net difference between		
projected and actual earnings on investments	1,141	—
Changes in proportion	47,276	(47,276)
Total	\$ 1,328,737	\$ (2,146,849)

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 \$485,756 and \$186,585 for REHP and RPSPP, respectively, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025. 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
2024	\$ (1,128,359)	\$ (104,973)
2025	\$ (626,937)	\$ (80,197)
2026	\$ (711,901)	\$ (84,178)
2027	\$ (444,043)	\$ (59,597)
2028	\$ (264,119)	\$ (32,263)
Thereafter	\$ —	\$ —

RPSPP	
Year ended June 30:	Primary Government
2024	\$ (123,130)
2025	\$ (53,588)
2026	\$ (176,801)
2027	\$ (326,322)
2028	\$ (264,163)
Thereafter	\$ (60,693)

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, 2024	July 1, 2022	June 1, 2024
		Judiciary	House	Senate
Inactive plan members or beneficiaries currently receiving benefit payments		1,906	1,297	531
Inactive plan members entitled to but not yet receiving benefit payments		44	—	—
Active plan members		1,772	1,629	782
Total all plan members		<u>3,722</u>	<u>2,926</u>	<u>1,313</u>

Employer Contributions: During the fiscal year ended June 30, 2024, the Judiciary funded \$27,531 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, 2024, the House funded \$23,973 of annuitant health care claims and administrative costs. The contribution policy of the House is to pay OPEB benefits as they come due. The authority to pay OPEB benefits as they come due fall under the purview of the House.

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

During the fiscal year ended June 30, 2024, the Senate funded \$9,724 of annuitant healthcare claims and administrative costs. The contribution policy of the Senate is to pay OPEB benefits as they come due. The authority to pay OPEB benefits as they come due fall under the purview of the Senate.

Total OPEB Liability: The Judiciary, House, and Senate reported a total OPEB liability for the fiscal year ended June 30, 2024. The valuation date and measurement date differed for each plan.

	Judiciary	House	Senate
Total OPEB liability reported June 30, 2024	\$ 662,835	\$ 746,276	\$ 234,130
Valuation date	June 30, 2024	July 1, 2022	July 1, 2023
Measurement date	June 30, 2024	June 30, 2024	June 30, 2024

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	2.80 %	2.80 %	3.50 %
Discount rate	4.21 %	4.13 %	4.09 %
Healthcare cost trend rates	7.00% to 4.0%	7.00% to 4.10%	8.00% to 4.50%
Retirees share of benefit-related costs	1% to 100%	1.00 %	1.00 %
Cost of living adjustments	N/A	N/A	N/A

The discount rate was based on:

- Judiciary- S&P Municipal Bond 20-year High Grade Rate Index at June 30, 2024
- House- S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2023
- 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, 2024.

Mortality rates were based on:

- Judiciary- the RP-2000 Healthy Annuitant Mortality Table for Males or Females using projection scale AA
- House- SERS defined benefit pension plan actuarial valuation
- Senate- the Society of Actuaries Mortality Improvement Scale MP-2021

Changes in the Total OPEB Liability:

	Judiciary (June 30, 2024)	House (June 30, 2024)	Senate (June 30, 2024)
Total OPEB liability at beginning of fiscal year	\$ 657,770	\$ 705,568	\$ 235,218
Changes for the year:			
Service cost	26,993	28,596	1,687
Interest	27,664	29,280	9,422
Changes of benefit terms	3,431	—	—
Differences between expected and actual experience	(68,145)	—	—
Changes in assumptions or other inputs	42,653	6,805	(2,473)
Benefit payments	(27,531)	(23,973)	(9,724)
Net Changes	5,065	40,708	(1,088)
Total OPEB liability at end of fiscal year	\$ 662,835	\$ 746,276	\$ 234,130

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the Judiciary, House, and Senate, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

Total OPEB liability	Discount Rate	1% Decrease	@ Discount Rate	1% Increase
Judiciary	4.21 %	\$ 746,034	\$ 662,835	\$ 586,748
House	4.13 %	\$ 868,830	\$ 746,276	\$ 647,495
Senate	4.09 %	\$ 268,658	\$ 234,130	\$ 206,322

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the Judiciary, House, and Senate, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates.

Total OPEB liability	Healthcare Cost Trend Rate	1% Decrease	@ Healthcare Cost Trend Rate	1% Increase
Judiciary	7.00% to 4.00%	\$ 577,030	\$ 662,835	\$ 768,515
House	7.00% to 4.10%	\$ 630,049	\$ 746,276	\$ 895,739
Senate	8.00% to 4.50%	\$ 203,230	\$ 234,130	\$ 272,363

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2024, the Judiciary, House, and Senate recognized OPEB expense of \$15,434, \$39,722, and \$14,503, respectively. At June 30, 2024, 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	\$ 62,431	\$ 144,860	\$ 12,523	\$ 96,572	\$ 290,246	\$ 114,982
Contributions subsequent to measurement date	—	25,312	—	—	—	—
Differences between expected and actual experience	—	75,421	—	81,197	23,164	—
Total	\$ 62,431	\$ 245,593	\$ 12,523	\$ 177,769	\$ 313,410	\$ 114,982

The House's \$25,312 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, 2025. 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:			
2025	\$ (48,657)	\$ (18,154)	\$ (25,612)
2026	(45,794)	(11,897)	(25,612)
2027	(9,962)	(2,026)	(25,612)
2028	(3,642)	(735)	(20,469)
2029	(3,642)	(34,606)	(4,541)
Thereafter	(3,641)	(25,711)	(613)
Total	\$ (115,338)	\$ (93,129)	\$ (102,459)

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 employer's share of the OPEB contribution for the non-school entities. The Commonwealth's proportionate share of the net OPEB liability at June 30, 2024 was \$11,147, or 0.6161%, which was an increase of 0.0205% from its proportion measured as of June 30, 2023. 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	\$ 419
Deferred outflows of resources	
Difference between expected and actual experience	\$ 73
Changes of assumptions	963
Difference between projected and actual investment earnings	25
Changes in proportion	499
Contributions subsequent to measurement date	635
Difference between employee contribution and proportionate share	1
Deferred inflows of resources	
Difference between expected and actual experience	\$ 110
Changes of assumptions	2,109
Changes in proportion	259

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 plan. The total contribution rate for employers and governmental nonemployer contributing entities is 0.60% of the total employer pension contribution. The contribution rate for the Premium Assistance plan is set at a level necessary to establish reserves sufficient to provide Premium Assistance plan payments for all participating eligible members for the subsequent fiscal year. The Premium Assistance plan recognized \$635 in contributions during the fiscal year ended June 30, 2024.

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 that exceed the 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 had assets of \$138,556 at June 30, 2024. The Commonwealth has reported \$1,160,903 at June 30, 2024 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 \$243,070 at June 30, 2024 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, 2024. The USTIF had assets of \$498,887 at June 30, 2024. 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, 2024 total employer contributions for active employees amounted to approximately \$1,155,972; active employee contributions amounted to approximately \$156,890. Neither the Commonwealth nor the unions have an equity interest in the PEBTF.

At June 30, 2024, for the active employees benefit program, the PEBTF reported total assets of \$1,187,630, total liabilities of \$1,950, total benefit obligations of \$119,087, and an excess of net assets over benefit obligations of \$1,066,593. During the fiscal year ended June 30, 2024 the PEBTF reported an increase in net assets over benefit obligations of \$187,693 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, 2024. 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, 2024, the Commonwealth of Pennsylvania provided tax abatements through the following programs, listed in alphabetical order:

- The City Revitalization and Improvement Zone Program (CRIZ) is administered by a contracting authority with oversight by the Department of Revenue (DOR) under Article XVIII-C of the Tax Reform Code of 1971 and is a hybrid tax incremental financing program with a primary focus on economic development in the zone. Each year, entities located or partially located within the zone are required to file a CRIZ report, which includes the following state taxes paid during the previous calendar year: personal income tax, corporate net income, bank and trust company shares, sales, use and hotel occupancy, employer withholding, malt beverage, and liquor/wine. The total amount of state taxes certified by DOR and applicable local taxes is deposited into the CRIZ fund for use by the contracting authority. The authority may utilize the funds for the payment of debt service on bonds issued for economic development projects in the zone or to fund the debt service of additional eligible improvement projects within the zone. All eligible CRIZ projects must be geographically located within the CRIZ and be approved by the authority. Once in operation, the payment of taxes associated with the project can go toward payment of the debt service owed by the developer on the project. Each CRIZ zone is effective for a period equal to the payment of all debt service incurred, including bond repayment, or 30 years, whichever occurs first. There are three designations in the program, located in the City of Lancaster, the City of Bethlehem, and the Borough of Tamaqua. For the fiscal year ended June 30, 2024, \$17 million in taxes were abated and deposited into the CRIZ fund for use by the contracting authority.
- The Coal Refuse Energy and Reclamation Tax Credit program is administered by the Department of Community and Economic Development (DCED) under Article XVII-J of the Tax Reform Code of 1971 to incentivize Pennsylvania electric generating facilities to use coal refuse for power generation, control acid gases, and use ash produced to reclaim mining-affected sites. To be eligible, an electric generating facility must have been in service within the Commonwealth prior to July 1, 2016, must use qualified coal refuse to generate power, and use a qualified system to control acid gases. Additionally, facilities commit to using at least 50% of the ash produced in the prior year to reclaim mining-affected sites. Eligible facilities may apply for tax credits of \$4 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, 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 for 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, 2024, \$20 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 with 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 on a first-come, first-served. Tax credits may not be sold, and total credits for the program cannot exceed \$85 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, 2024, \$77.2 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

NOTE 13 - TAX ABATEMENTS (continued)

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 on a first-come, first-served. Tax credits are applied against the tax liability in the year of the contribution or the following year if the entity is a pass-through entity. Credits may not be carried forward or sold, and total credits for the program cannot exceed \$470 million annually (\$385 million for SOs, \$54.5 million for EIOs, and \$30.5 million for PKSOs). If ETC's total program credits have been met, an applicant may elect to have the application 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, 2024, \$416.7 million in taxes were abated.

- The Film Production Tax Credit is administered by DCED under Article XVII-D of the Tax Reform Code of 1971 and encourages the production of films, television commercials, or television shows within the Commonwealth. To be eligible, the productions must be for a national audience, and production companies must spend a minimum of 60% of their total budgets on qualified Pennsylvania expenses. The budget must be approved by DCED. Tax credits are calculated at 25% of qualified Pennsylvania production expenses, with the option of an additional 5% if filming is at a qualified production facility within the Commonwealth. The total tax credits for an individual project are capped at 30% of the total annual program budget of \$100 million. The taxpayer also agrees to submit monthly progress reports and an independently audited report of expenses upon completion of the project. If the agreed-upon qualified film production expenses are not incurred, the taxpayer must repay the Commonwealth the amount of tax credit claimed. Tax credits may be carried forward for three years, and after the initial filing, they may be sold to an approved business. Tax credits may be utilized against the following taxes: corporate net income, personal income, insurance premiums, bank shares, mutual thrift institutions, and title insurance company shares. For the fiscal year ended June 30, 2024, \$73.2 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 for 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 in revenues within the KIZ between the first and second year, after application, up to \$100,000. If a business has operations outside the zone, 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 for 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, 2024, \$15 million in taxes were abated.
- The Keystone Opportunity Zone Program (KOZ) is administered by DCED under Chapter 16B of the Pennsylvania Keystone Opportunity Zone Act and is designed to create economic development in designated zones within the Commonwealth by providing tax abatements to businesses and residents located within the zones. While zones are in effect, qualified applicants within the zone are eligible to have tax liabilities waived for corporate net income tax, personal income tax, sales and use tax, mutual thrift institutions tax, bank shares tax, and insurance premiums tax. Businesses that cease operations in a KOZ within five years of first receiving tax benefits must repay a prorated percentage of the taxes abated - 66% if within three years or 33% if within four to five years. Existing Pennsylvania businesses relocating to the zone must satisfy one of the following relocation requirements to be eligible: increase

NOTE 13 - TAX ABATEMENTS (continued)

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 their annual renewal should include reporting on the jobs and private investment created within the KOZ. For residents to be eligible for a 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 has 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, 2024, \$121.7 million in taxes were abated.

- The Military Installation Remediation Program (MIRP) is administered by a contracting authority with oversight by the Department of Revenue (DOR) under Title 73 P.S. Trade and Commerce –Chapter 16E Transit Revitalization Investment District Act. The program is a hybrid tax-incremental financing program with a primary focus on improvement and development within designated parcels in a municipality with a former military installation. Each year, entities located or partially located within the designated parcels are required to file a MIRP report, which includes the following state taxes paid during the previous calendar year: corporate net income, bank and trust company shares sales, use and hotel occupancy, employer withholding, personal income tax paid by shareholders, members or partners of Subchapter S corporations, limited liability companies, partnerships, and sole proprietorships, and realty transfer. The total amount of state taxes certified and deposited into the MIRP fund for use by the contracting authority may not exceed 500% of the local taxes and additional money designated and transferred to the contracting authority by a municipality or municipal authority during the year. The authority may utilize the funds for 1) operational costs of the authority; 2) offset of surcharge applied to customers of a water provider relating to the costs of remediation relating to per-and polyfluoroalkyl substances (PFAs) present in drinking water related to the presence of a former military installation; 3) offset an amount attributable to an amount billed to customers of a water provider relating to the costs of remediation relating to PFAs present in drinking water related to the presence of a former military installation; 4) offset the cost of connecting a residence with a private well which is impacted by the presence of PFAs in drinking water related to a former military installation to a public water supply; 5) if available after satisfaction of (1), (2), (3), (4) may be used for: transportation infrastructure and economic development costs within designated boundaries of the MIRP; and payment of debt service on bonds issued or refinanced for the acquisition, development, construction, including related infrastructure and site preparation, reconstruction or renovation or refinancing of a project under (2), (3), (4). All eligible MIRP projects must be geographically located within the MIRP and be approved by the authority. Once in operation, the payment of taxes associated with the project can go toward payment of the debt service owed by the developer on the project. The MIRP designation is effective for a period of 30 years. For the fiscal year ended June 30, 2024, \$21.2million 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 provide an incentive for Pennsylvania businesses to contribute to approved neighborhood organizations' projects or otherwise provide qualified assistance to impoverished areas. There are five subsets of programs in the 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%

NOTE 13 - TAX ABATEMENTS (continued)

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 for 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, 2024, \$36 million in taxes were abated.

- The Neighborhood Improvement Zone Program (NIZ) is administered by a contracting authority with oversight by the Department of Revenue (DOR), under Article XIX-B of the Tax Reform Code of 1971, and is a hybrid tax incremental financing program with a primary focus for the construction of an arena and a secondary focus for economic development in the zone. Each year, entities located or partially located within the zone are required to file a NIZ report, which includes the following state taxes paid during the previous calendar year: personal income tax, corporate net income, bank and trust company shares, sales, use and hotel occupancy, employer withholding, gross receipts, unemployment compensation, realty transfer, cigarette, vehicle rental, gross premiums, malt beverage, and liquor or wine. The total amount of state taxes certified by DOR and applicable local taxes is 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, 2024, \$73.7 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 for 15 years, and may be sold to an eligible entity after one year from the date of issuance of the credit. If the BMP is not maintained for the entire defined life span, all tax credits must be refunded. Tax credits may be utilized against the following taxes: corporate net income, personal income, bank shares, mutual thrift institutions, insurance premiums, and title insurance company shares. For the fiscal year ended June 30, 2024, \$13 million in taxes were abated.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Construction and Other Commitments: At June 30, 2024 the Department of Transportation (DOT) had contractual commitments of approximately \$13,736,731 for various DOT highway construction and mass transit projects. Financing for these future expenditures will be primarily from approved federal grants and general obligation bond proceeds. In addition, the Commonwealth has a variety of contractual and other commitments for future subsidies and purchases of goods and services for approximately \$7,738,117 at June 30, 2024. Actual expenditures are contingent upon approved spending authority and/or the availability of financial resources.

Encumbrances: The Commonwealth utilizes encumbrances to account for outstanding commitments for open purchase orders and unfulfilled contracts. Amounts related to encumbrances based on outstanding purchase orders or other contracts are as follows:

General Fund	\$ 1,415,868
Motor License Fund	672,120
Capital Facilities Fund	2,400,397
Other nonmajor funds	1,271,864
Total	<u>\$ 5,760,249</u>

Investment Commitments: At June 30, 2024, the **Tuition Payment Fund** had capital commitments of \$170,000 to fund alternative investments, of which \$15,794 were unfunded. At June 30, 2024, the Other Postemployment Benefits funds, REHP and RPSPP, had capital commitments of \$20,000 to fund alternative investments, of which \$6,177 were unfunded.

Loan and Grant Commitments: At June 30, 2024 primary government funds had approved \$17,947 in loans that had not been disbursed. Also, at June 30, 2024 the **Commonwealth Financing Authority (CFA)**, a blended component unit, had approved loans and grants that had not been disbursed of \$1,247,532.

Right-to-use Commitments: As of June 30, 2024, the Commonwealth has leases that have not yet commenced, with lease payments due on an undiscounted basis of \$24,943 over the respective lease terms. These leases commence in 2024 and 2025 with lease terms ranging between 2024 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 the 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, 2024, the lease payments assigned for payment of debt service totaled \$5,723. As of June 30, 2024, the total principal remaining on the certificates of participation is \$5,685.

As of June 30, 2024, the Commonwealth has SBITAs that have not yet commenced, with subscription payments due on an undiscounted basis of \$149,476 over the respective SBITA terms. These SBITAs commence in 2024 and 2025 with SBITA terms ranging between 2024 and 2033.

Child Support Payments: At June 30, 2024, the Commonwealth was contingently liable for approximately \$18,048 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, 2024 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 \$23,750 to \$759,900 for the **General Fund**; \$0 to \$10,000 for the Philadelphia Regional Port Authority, an enterprise fund; \$0 to \$60,000 for the **State Stores Fund**, an enterprise fund; \$0 to \$1,700,000 for the Oil and Gas Lease Fund, a special revenue fund; and \$100 to \$1,069,000 of possible

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

additional liabilities for the State Employees' Retirement System, a fiduciary fund. The range of potential liability for governmental activities is from \$0 to \$2,459,900. The liability for these cases has not been recorded as of June 30, 2024. Moreover, there are some legal proceedings regarding the restriction of the use of certain Commonwealth's funds.

Federal Grants: The Commonwealth receives significant financial assistance from the Federal Government in the form of grants and entitlements, including several non-cash programs (which are not included in the basic financial statements). The receipt of grants is generally conditioned upon compliance with the 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 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 \$23,750 to \$759,900 at June 30, 2024. The Commonwealth's management believes ultimate disallowances and sanctions, if any, will not have a material effect on the basic financial statements.

The American Rescue Plan Act of 2021 provided \$7,291,328 from the State and Local Fiscal Recovery Funds (SLFRF) to the Commonwealth. As of June 30, 2024, the SLFRF dollars awarded to the Commonwealth have been appropriated. The funds are anticipated to be fully obligated on allowable expenses by December 31, 2024, and liquidated by December 31, 2026; however, any monies unspent at that time will revert back to the U.S. Treasury.

Unemployment Compensation LWA Payments: During the COVID-19 pandemic, the Commonwealth received Federal funding to provide unemployment benefits to those in need of 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 along with Federal and local authorities have joined forces to investigate fraud. The Commonwealth may 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, 2024, the amount of future payments owed to prizewinners was \$373,477. To satisfy its financial obligation to these prizewinners, the **Lottery** purchases annuity contracts from insurance companies, whereby the insurance companies make periodic payments to the prizewinners. Generally, in the event of an 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, 2024, prizewinners had voluntarily assigned future payments of \$589,532.

Pennsylvania Turnpike Commission (PTC): The PTC, a discretely presented component unit, had \$970,689 of Special Revenue Bonds outstanding at May 31, 2024. 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, 2025, total interest and principal due on the \$970,689 of special revenue bonds outstanding at May 31, 2024 will amount to \$37,909 and \$20,005, respectively. Disclosures related to the PTC's special revenue bonds payable as of May 31, 2024 are provided in Note 16 to the basic financial statements.

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

Loan Guarantees: The CFA, through various economic development programs, provided loan guarantees as of June 30, 2024 as follows:

New Pennsylvania Venture Guarantees	\$	15,000
Tax Increment Financing Guarantees		10,845
First Industries Loan Guarantees		13,672
		39,517
Total Loan Guarantees	\$	39,517

The guarantees related to the New Pennsylvania Venture Guarantee Program extend throughout the life of the investment portfolio. The guarantees related to the Tax Increment Financing Guarantee and First Industries programs extend through July 15, 2035 and July 1, 2032, respectively, as of June 30, 2024. 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 the payment

Nonexchange Financial Guarantees: The CFA has recognized a liability for nonexchange financial guarantees at June 30, 2024 of \$16,185 and has made cumulative payments of \$20,949 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, 2023	Additions	Reductions	June 30, 2024	
\$ 10,616	\$ 6,358	\$ 789	\$ 16,185	

Primary Government Commitment for the Pennsylvania Convention Center Authority (PCCA): According to a contractual arrangement (Operating Agreement) among the Commonwealth, the City of Philadelphia, and the PCCA, a discretely presented component unit, the Commonwealth is required to make payments to the PCCA to finance operating deficits. Such payments are to be primarily financed using the Gaming Fund. The Gaming Fund is used to finance a variety of programs and/or projects, and the Gaming Fund itself may be unable to finance all of the PCCA operating deficits during the term of the Operating Agreement, which expires in 2039. In that event, primary government payments to the PCCA based on the Operating Agreement must be financed using funds separate from the Gaming Fund; such amounts are subject to annual appropriation by the General Assembly.

Primary Government Commitment for the CFA: According to a contractual arrangement (Service Agreement) among the Department of Community and Economic Development, the Office of the Budget, and the CFA, the primary government is required to request sufficient annual appropriations from the General Assembly (to be funded by the General Fund and the Gaming Fund) to finance the service fee established in the Service Agreement. The service fee is the only significant source of funds the CFA has to pay its debt service obligations. The amount of such service fee is to be requested by October 1, each year, for the succeeding fiscal year budget effective July 1 of the following year. During the term of the Service Agreement, there can be no assurance that 1) the General Assembly will annually appropriate sufficient amounts to fund the annual service fee, or 2) funds will be available to finance such annual appropriations. During the fiscal year ended June 30, 2024 the primary government paid a service fee in the amount of \$331,407. Disclosures related to the CFA’s \$4,063,065 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 the home of the Pittsburgh Penguins (the Penguins); a hockey team in the National Hockey League. The Arena Bonds are not a 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.

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

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, 2024 the actual amount appropriated to support the SEA debt service was \$1,808.

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, 2024, governmental and business-type activities, respectively, reported net investment in capital assets of \$38,957,153 and \$988,526, respectively.

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, 2024, governmental and business-type activities reported \$7,039,366 and \$3,397,684 of restricted net position, respectively. Net position restricted for other purposes of \$173,879 for business-type activities at June 30, 2024 includes amounts for a range of dissimilar statutory purposes.

Unrestricted net position represents the total net position less the amounts of net investment in capital assets and restricted net position. At June 30, 2024, governmental and business-type activities, respectively, reported unrestricted net position deficits of \$12,650,825 and \$3,125,508.

Governmental Funds Fund Balance: Reported fund balance within individual governmental funds is categorized between nonspendable and spendable categories. At June 30, 2024, nonspendable fund balance is only reported for amounts that 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 into 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, 2024, 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 an 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, commitments, and assignments at June 30, 2024:

NOTE 15 - NET POSITION AND FUND BALANCE (continued)

	General Fund	Motor License Fund	Nonmajor Funds	Total
Nonspendable:				
Not in spendable form:				
Advances to other funds	\$ 4,475	\$ —	\$ —	\$ 4,475
Long-term loans receivable	20,925	—	—	20,925
Due from component unit	28,046	—	—	28,046
Total nonspendable	53,446	—	—	53,446
Restricted for:				
General government operations	3,803	—	143,678	147,481
Health-related programs	—	—	129,576	129,576
Transportation	233	2,732,748	2,494,184	5,227,165
Unemployment/workers' compensation	—	—	1,364,072	1,364,072
Environmental and conservation programs	1,947	—	1,314,666	1,316,613
Economic development	—	—	46,463	46,463
Gaming/horse racing regulation	—	—	1,935,866	1,935,866
Emergency support	—	—	108,734	108,734
Beneficiaries	—	—	1,035,429	1,035,429
Human services	113,547	—	—	113,547
Total restricted	119,530	2,732,748	8,572,668	11,424,946
Committed for:				
General government operations	1,270,849	—	—	1,270,849
Health-related programs	165,043	—	117,930	282,973
Transportation	1,099	—	46,082	47,181
Capital projects	99,696	—	963,242	1,062,938
Debt service	—	—	46,724	46,724
Elderly programs	44,031	—	—	44,031
Environmental and conservation programs	417,659	—	70,413	488,072
Economic development	322,383	—	—	322,383
Emergency support	9,224	—	—	9,224
Higher education	403,003	—	—	403,003
Budget stabilization	6,377,305	—	—	6,377,305
Beneficiaries	159	—	—	159
Human services	266,321	—	—	266,321
Public protection	437,503	—	—	437,503
Total committed	9,814,275	—	1,244,391	11,058,666
Unassigned:				
Unassigned (deficit)	8,925,424	—	(13,108)	8,912,316
Total fund balances	\$ 18,912,675	\$ 2,732,748	\$ 9,803,951	\$ 31,449,374

A portion of the nonspendable fund balance reported by the **General Fund**, \$4,475, is applicable to advances to other funds at June 30, 2024 as follows: \$2,300 to the **State Workers' Insurance Fund**, an enterprise fund; and \$2,175 to the **Motor License Fund**, a special revenue fund.

Governmental Funds Fund Balance Deficit: The Uninsured Employers' Guaranty Fund and the Taxicab and Limousine Regulatory Fund, both special revenue funds, reported deficits of \$12,987 and \$121, respectively, at June 30, 2024.

NOTE 15 - NET POSITION AND FUND BALANCE (continued)

Proprietary Funds Net Position: Nonmajor enterprise funds reported a total restricted net position for “other purposes” of \$173,879 at June 30, 2024 for the following programs: mine subsidence insurance, \$161,104; vocational support, \$2,781; maintaining historical properties, \$5,032; restaurant maintenance in state facilities, \$356; local government loans, \$2,753; and port operations, \$1,853.

Proprietary Funds Unrestricted Net Position Deficits: In addition to unrestricted net position deficits reported in three of the six major enterprise funds (**State Workers' Insurance Fund**, **State Stores Fund**, and the **Commonwealth Financing Authority**, a blended component unit), one nonmajor enterprise fund and one internal service fund reported an unrestricted net position deficit in the statement of net position-proprietary funds at June 30, 2024. The Rehabilitation Center Fund, a nonmajor enterprise fund, reported an unrestricted net position deficit of \$30,651 at June 30, 2024.

The Purchasing Fund, an internal service fund, reported an unrestricted net position deficit of \$43,465 at June 30, 2024. With the Commonwealth’s implementation of GASB Statements No. 68 and No. 75, this fund has reported pension and other postemployment benefit liabilities, causing this deficit.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS

Discretely Presented Component Units (DPCUs), as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, paragraph 20, and amended by GASB 61, paragraph 4b, are legally separate organizations for which the elected officials of the primary government (PG) are financially accountable. In addition, DPCUs can be other organizations of which the nature and significance of their relationship with the PG are such that the exclusion of these organizations from the PG’s financial statements would be misleading. DPCUs are established for the benefit of the Commonwealth’s citizenry for a variety of purposes, such as economic development, financing and public transportation. The following DPCU disclosures include only information that is deemed essential to the fair presentation of the Commonwealth’s financial statements.

Restatements

The Pennsylvania Turnpike Commission (PTC) adopted GASB Statement No. 96 "Subscription-Based Information Technology Arrangements" for the fiscal year ended May 31, 2024. GASB 96 requires a lessee to recognize a right-to-use subscription asset and a corresponding subscription liability.

The State System of Higher Education (SSHE) noted during fiscal year 2023-24, Millersville University of Pennsylvania did not report Student Services, Inc. and Student Lodging, Inc. as discretely presented component units due to a change in reporting entity. The combined component unit financial statements have been restated accordingly and resulted in a reduction of beginning net assets of \$6,887 for fiscal year 2023-24. Also, during fiscal year 2023-24 a component unit of Pennsylvania Western University had a restatement impact for Original Issue Discount (OID) bond interest adjustment, which increased beginning net assets by \$41.

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

Statement of Net Position	PTC (May 31, 2024)	SSHE
Net position (deficit), as previously reported, at June 30, 2023 ...	(7,584,615)	(375,568)
Impact of adoption of GASB Statement No. 96	525	—
Component Unit Accounting Change	—	(6,846)
Net position (deficit), as restated, at June 30, 2023	\$ (7,584,090)	\$ (382,414)

Deposits, Investments, and Financial Instruments with Off-Balance Sheet Risk

DPCU organizations typically control the 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; and Level 3 inputs are significant unobservable inputs. The fair value of certain investments that do not have a readily determinable fair value is 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	\$ —	\$ —	\$ —	\$ —	\$ 178,350
Bond mutual funds					
Level 1	—	—	—	—	2,844
Level 2	—	—	—	—	2,383
NAV	—	—	—	—	8,657
Commercial paper					
Level 2	—	—	42,753	—	141,728
Common stock					
Level 1	—	—	—	—	3,775
Commonwealth investment pool					
Level 2	—	—	—	1,542,768	—
NAV	—	—	663,746	—	—
Corporate obligations					
Level 2	138,154	—	—	—	216,150
Debt securities					
Level 1	—	—	—	—	2,132
Level 2	—	—	—	—	1,919
Equity balanced mutual funds					
Level 1	—	—	—	—	9,914
Level 2	—	—	—	—	27,791
Level 3	—	—	—	—	1,906
NAV	—	—	—	—	14,965
Federal agency discount notes					
Level 2	—	—	9,391	—	—
GNMA mortgages					
Level 2	391	—	—	—	—
Investment derivative instruments					
Level 2	4,758	—	—	—	—
Money market mutual funds					
Level 1	—	—	125,105	—	—
Level 2	—	—	—	—	1,278
Mortgage-backed securities					
Level 2	—	29,897	—	—	136,675
Municipal bonds					
Level 2	21,072	—	—	—	—
U.S. Government agency obligations					
Level 1	—	—	—	—	358
Level 2	40,244	383,222	—	—	190,317
Guaranteed investment contract					
Other	—	—	123,692	—	—
U.S. Treasury obligations					
Level 1	1,523,808	—	81,859	—	—
Subtotal Level 1	1,523,808	—	206,964	—	19,023
Subtotal Level 2	204,619	413,119	52,144	1,542,768	896,591
Subtotal Level 3	—	—	—	—	1,906
Other	—	—	123,692	—	—
Subtotal NAV	—	—	663,746	—	23,622
Total	\$ 1,728,427	\$ 413,119	\$ 1,046,546	\$ 1,542,768	\$ 941,142

Note: This does not include PENNVEST securities lending collateral of \$36,775 or \$829,105 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, 2024, \$21,100 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 \$1,278,656 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 \$10,000 in 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 in the CIP must be held in insured depositories and must be fully collateralized.

The Pennsylvania State System of Higher Education (SSHE) had a carrying amount of demand and time deposits and certificates of deposit for all funds in the amount of \$43,319, compared to bank balances of \$43,238. The difference is caused primarily by items in transit. Of the bank balances, \$2,855 were covered by federal government depository insurance or collateralized by a pledge of U.S. Treasury obligations held by Federal Reserve banks in the name of the banking institutions; \$1,520 were uninsured and uncollateralized; and \$38,863 were uninsured and uncollateralized but covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971, as amended. Act 72 allows banking institutions to satisfy the collateralization requirements by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions trust departments.

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 further the mission of the PHFA. The PHFA mitigates its credit risk by limiting investments to those permitted in its deposit and investment policies, diversifying the investment portfolio, and prequalifying firms with which the PHFA administers its investment activities.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

The PHEAA Board of Directors authorizes the investment guidelines, and PHEAA management governs the investments by using the “prudent person” rule. Generally, the PHEAA’s investments are limited to U.S. Government securities, U.S. Government agency securities, Federal instrumentalities sponsored by U.S. agencies, high-grade commercial paper, repurchase agreements collateralized by U.S. Treasury obligations, certificates of deposit, banker’s acceptances eligible for purchase by the Federal Reserve System, and other investments approved by the Board of Directors from time to time.

The trust indenture and the Commonwealth Fiscal Code, as amended, authorize 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 investments of funds or trusts; and “prudent man” investments as determined by PENNVEST’s depository.

The SSHE investment policy is established by board policy and authorizes SSHE to invest in obligations of the U.S. Treasury, repurchase agreements, commercial paper, certificates of deposit, banker’s acceptances, U.S. money market funds, municipal bonds, corporate bonds, collateralized mortgage obligations, asset-backed securities, and internal loan funds.

Investment Type	PTC	PHFA	PHEAA	PENNVEST	SSHE
Asset-backed securities	\$ —	\$ —	\$ —	\$ —	\$ 178,350
Bond mutual funds	—	—	—	—	13,884
Commercial paper	—	—	42,753	—	141,728
Common stock	—	—	—	—	3,775
Corporate obligations	138,154	—	—	—	216,150
Debt securities	—	—	—	—	4,051
Investment derivative	4,758	—	—	—	—
Equity/balanced mutual funds	—	—	—	—	54,576
Federal agency discount notes	—	—	9,391	—	—
GNMA mortgages	391	—	—	—	—
Money market mutual funds	—	—	125,105	—	1,278
Mortgage-backed securities	—	29,897	—	—	136,675
Municipal bonds	21,072	—	—	—	—
Securities lending collateral	—	—	—	36,775	—
Commonwealth Investment Pool	—	—	663,746	1,542,768	—
U.S. Government and agency obligations	40,244	383,222	—	—	190,675
Guaranteed investment contract	—	—	123,692	—	—
U.S. Treasury obligations	1,523,808	—	81,859	—	—
Total investments	1,728,427	413,119	1,046,546	1,579,543	941,142
Certificates of deposit	—	—	—	—	14
Money market funds	—	—	—	—	8,922
Total deposits	\$ —	\$ —	\$ —	\$ —	\$ 8,936
Total investments and deposits	\$ 1,728,427	\$ 413,119	\$ 1,046,546	\$ 1,579,543	\$ 950,078

Note: Total investments by type do not include \$829,105 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 organization's 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 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 the 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, 2024:

Issuer Name	PHFA
Government National Mortgage Association	\$ 32,697
Tennessee Valley Authority	70,693
Federal Farm Credit Bank	75,184
Federal Home Loan Mortgage Corp	28,252
Federal Home Loan Bank	115,759
Federal National Mortgage Association	36,063
Federal Agricultural	54,471
	<u>\$ 413,119</u>

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Credit Risk: The following table discloses aggregate fair value by Moody's or Standard & Poor's credit quality rating category at June 30, 2024 (May 31, 2024 for the PTC):

Moody's Investors Service	PTC	PHFA	PHEAA	PENNVEST	SSHE
Aaa	\$ —	\$ 325,951	\$ —	\$ —	\$ 453,488
Aa	4,758	—	—	—	19,089
A	—	—	—	—	147,169
Baa	—	—	—	—	52,100
P1	—	—	—	—	153,387
Moody's Investors Service subtotal	4,758	325,951	—	—	825,233
Standard and Poor's					
AAA	31,060	—	125,105	—	—
AA	145,270	—	—	—	—
A	23,105	—	134,003	—	—
Below A	35	—	—	—	—
Standard and Poor's subtotal	199,470	—	259,108	—	—
Rated Subtotal	204,228	325,951	259,108	—	825,233
Unrated					
Bond mutual funds	—	—	—	—	13,884
Debt securities	—	—	—	—	1,728
Asset-backed Securities	—	—	—	—	34,663
Mortgage-backed securities	—	29,897	—	—	—
Commonwealth Investment Program	—	—	663,746	1,542,768	—
U.S. Government agency obligations	1,524,199	57,271	—	—	7,283
Guaranteed investment contract	—	—	123,692	—	—
Unrated subtotal	1,524,199	87,168	787,438	1,542,768	57,558
Total fixed income investments	1,728,427	413,119	1,046,546	1,542,768	882,791
Variable income investments					
Equity/balanced mutual funds	—	—	—	—	54,576
Common stock	—	—	—	—	3,775
Variable income investments subtotal	—	—	—	—	58,351
Total investments	\$ 1,728,427	\$ 413,119	\$ 1,046,546	\$ 1,542,768	\$ 941,142

Note: Total investments do not include \$829,105 reported by component units of the SSHE or PENNVEST securities lending collateral of \$36,775.

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, 2024 and the SSHE at June 30, 2024:

Investment Type	PTC		SSHE		
	Amount	Option-Adjusted Duration	Amount	Option-Adjusted Duration	Securities with no Duration
Asset-backed securities	\$ —	—	\$ 178,350	0.57	\$ —
Bond mutual funds	—	—	13,884	1.41	—
Certificates of deposit	—	—	—	—	14
Commercial paper	—	—	141,728	0.09	—
Corporate obligations	138,154	1.28	216,150	1.33	—
Debt securities	—	—	2,333	4.59	1,718
GNMA mortgages	391	4.31	—	—	—
Money market mutual funds	—	—	—	—	1,278
Mortgage-backed securities	—	—	136,675	2.01	—
Municipal bonds	21,072	0.99	—	—	—
U.S. Government agency obligations	40,244	1.80	190,675	0.43	—
U.S. Treasury obligations	1,523,808	1.13	—	—	—
Total	\$ 1,723,669		\$ 879,795		\$ 3,010

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, 2024:

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	\$ —	\$ 7,973	\$ 39,230	\$ 47,203
U.S. Government agency obligations	44,755	153,718	167,443	365,916
Total	\$ 44,755	\$ 161,691	\$ 206,673	\$ 413,119

Investment Type	PHEAA			
	Matures in less than 1 year	Matures in 1 to 10 years	Matures in more than 10 years	Total
Commercial paper	\$ 42,753	\$ —	\$ —	\$ 42,753
Money market mutual funds	125,105	—	—	125,105
Commonwealth Investment Program	663,746	—	—	663,746
Guaranteed investment contract	—	123,692	—	123,692
US Treasury Bills	81,859	—	—	81,859
Federal agency discount notes	9,391	—	—	9,391
Total	\$ 922,854	\$ 123,692	\$ —	\$ 1,046,546

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Derivative Instruments

As of May 31, 2024, the PTC, in its separately-issued financial statements, reported noncurrent hedging derivative instrument liabilities of \$109,724, which were offset by a reported deferred outflow of resources of \$589. Changes in the net fair value of the hedging derivative instruments during the fiscal year ended May 31, 2024 of \$58,959 were deferred.

As of June 30, 2024, the PHFA, in its separately-issued financial statements, reported a noncurrent hedging derivative instrument asset of \$2,442 and a noncurrent hedging derivative instrument liability of \$8,732. The change in fair value of the agency’s hedging derivative instruments for the year ended June 30, 2024 equaled \$(10,208) and is accounted for within the accumulated increase in fair value of hedging derivatives and accumulated decrease in fair value of hedging derivatives on the balance sheets.

Further information regarding the nature and notional value of the hedging and investment derivative instruments of the PTC (as of May 31, 2024) and the PHFA (as of June 30, 2024) is available within their separately audited and issued financial statements.

Loans Receivable

Loans receivable at June 30, 2024 consisted of the following:

	<u>PHFA</u>	<u>PHEAA</u>	<u>PENNVEST</u>
Mortgage loans	\$ 5,685,876	\$ —	\$ —
Student loans	—	1,851,183	—
Drinking water, storm water and sewer system loans	—	—	2,907,632
Subtotal	<u>5,685,876</u>	<u>1,851,183</u>	<u>2,907,632</u>
Less: allowance for uncollectible amounts	138,968	7,366	23,767
Loans receivable, net	<u><u>\$ 5,546,908</u></u>	<u><u>\$ 1,843,817</u></u>	<u><u>\$ 2,883,865</u></u>

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Capital Assets

A summary of capital assets by category at May 31, 2024 for PTC and June 30, 2024 for SSHE is as follows:

PTC	Balance May 31, 2023 (Restated)	Increases	Decreases	Balance May 31, 2024
Non-depreciable/amortized capital assets:				
Land and intangibles	\$ 475,462	\$ 9,581	\$ —	\$ 485,043
Construction in progress	1,481,794	1,107,850	493,526	2,096,118
Subtotal	1,957,256	1,117,431	493,526	2,581,161
Depreciable/amortized capital assets:				
Buildings	1,099,651	76,630	—	1,176,281
Improvements other than buildings	190,080	6,343	—	196,423
Equipment	650,946	19,607	6,538	664,015
Infrastructure	10,613,104	379,713	127,883	10,864,934
Right-to-use - subscriptions (1)	6,723	6,207	—	12,930
Subtotal	12,560,504	488,500	134,421	12,914,583
Accumulated depreciation/amortization:				
Buildings	531,862	28,278	—	560,140
Improvements other than buildings	113,063	8,664	—	121,727
Equipment (1)	517,084	37,293	6,526	547,851
Infrastructure	6,184,440	339,644	127,883	6,396,201
Right-to-use - subscriptions (1)	970	3,153	—	4,123
Total accumulated depreciation/amortization	7,347,419	417,032	134,409	7,630,042
Total capital assets being depreciated/amortized, net	5,213,085	71,468	12	5,284,541
Total capital assets	\$ 7,170,341	\$ 1,188,899	\$ 493,538	\$ 7,865,702

(1) PTC adopted GASB Statement No. 96 for its fiscal year ended May 31, 2024.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

SSHE	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024
Non-depreciable capital assets:				
Land	\$ 33,789	\$ —	\$ 12	\$ 33,777
Construction in progress	68,789	39,535	38,880	69,444
Subtotal	102,578	39,535	38,892	103,221
Depreciable capital assets:				
Buildings	3,397,387	36,285	(8,353)	3,442,025
Improvements other than buildings	355,467	2,899	1,691	356,675
Equipment	568,466	18,711	22,168	565,009
Library books	70,262	403	558	70,107
Right of use assets land	1,841	—	255	1,586
Right of use assets buildings	92,892	7,029	3,567	96,354
Right of use assets equipment	5,519	374	1,146	4,747
Subscription assets	30,279	22,027	(7,960)	60,266
Subtotal	4,522,113	87,728	13,072	4,596,769
Accumulated depreciation and amortization:				
Buildings	1,503,105	116,094	13,722	1,605,477
Improvements other than buildings	235,840	12,576	3,285	245,131
Equipment	499,896	23,457	22,709	500,644
Library books	67,537	628	558	67,607
Right of use assets land	944	279	149	1,074
Right of use assets buildings	67,053	6,114	3,511	69,656
Right of use assets equipment	3,108	1,037	1,145	3,000
Subscription assets	7,557	16,098	959	22,696
Total accumulated depreciation and amortization	2,385,040	176,283	46,038	2,515,285
Total capital assets being depreciated and amortized, net	2,137,073	(88,555)	(32,966)	2,081,484
Total capital assets	\$ 2,239,651	\$ (49,020)	\$ 5,926	\$ 2,184,705

Service Concession Arrangements

There are 17 service plazas along the Turnpike System providing gasoline and diesel fuel, other automotive supplies and services, and restaurant services. The PTC entered into long-term service plaza redevelopment agreements with HMSHost Family Restaurants, LLC (2006) and with Sunoco, Inc. (R&M) to design, reconstruct, finance, operate and maintain all the service plazas. These service concession arrangements do not fall within the scope of GASB Statement No. 87, Leases. The PTC has no responsibility for maintaining the service plazas under the agreements. The PTC maintains the ability to approve and/or modify the services that the operators can provide and the rates that can be charged. The service plaza operators are compensated by the users of the services and share a portion of the revenue with the PTC as rental payments. Upon completion of construction, the reconstructed assets were recognized by the PTC.

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

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

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

The agreement with 7-Eleven, Inc. was set to expire on January 31, 2022. 7-Eleven Inc.’s agreement states it can be extended for three additional five-year periods. The first extension shall be at the discretion of 7-Eleven, Inc., and the second and third extensions shall be mutually agreed to by both parties. On September 21, 2021, the PTC approved an amendment to the agreement with 7-Eleven, Inc. to exercise its option to renew the service plaza agreement for an additional five years, with an expiration date of January 31, 2027. The amendment was approved by the PA Attorney General’s office on October 6, 2021. Due to this extension, the guaranteed minimum rent net present value calculation was modified to include the additional future amounts expected.

As of May 31, 2024, 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 \$58,900 related to these assets. Also, as of May 31, 2024, the PTC recognized a receivable and deferred inflow of resources in the amount of \$23,700 for the present value of guaranteed minimum rent payments. The PTC also recognized \$2,200 of restaurant revenue and \$2,600 of service station revenue for the fiscal year ended May 31, 2024 related to these agreements.

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

The PHEAA has reported \$0 of auction rate security bonds payable, \$404,927 of revenue bonds, \$1,479,503 of notes payable (consisting of student loan financings of 213,140 and student loan floating rate notes of \$1,158,461), and \$13,038 of other financings (consisting of lease and subscription IT obligations of \$13,038, a financed purchase agreement of \$0, and term financings of \$0) at June 30, 2024 as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024
Bonds payable:				
Student loan auction rate security bonds at interest rates of 5.77% as of June 30, 2023	\$ 3,100	\$ —	\$ (3,100)	\$ —
Education loan revenue bonds, due 2025-2051 at fixed interest rates of 2.45%-5.00%	267,745	146,410	(21,645)	392,510
Add: premium on education loan revenue bonds	10,340	2,515	(438)	12,417
Subtotal	278,085	148,925	(22,083)	404,927
Total bonds payable	\$ 281,185	\$ 148,925	\$ (25,183)	\$ 404,927
Notes payable:				
Student loan floating rate notes, due 2037-2070 at weighted average rates of 6.19% as of June 30, 2024 and 4.43% as of June 30, 2023	\$ 1,700,425	\$ —	\$ (539,818)	\$ 1,160,607
Less: discount on student loan floating rate notes	(725)	—	162	(563)
Less: call premium on student loan floating rate notes	(2,124)	—	541	(1,583)
Subtotal	1,697,576	—	(539,115)	1,158,461
Student loan financings warehouse facilities, due 2025, at an interest rate of 6.91% as of June 30, 2024	—	124,070	(16,168)	107,902
Student loan financings warehouse facilities, due 2026	—	55,700	(55,700)	—
Student loan financings, due on demand, at weighted-average interest rates of 6.25% as of June 30, 2024 and 5.99% as of June 30, 2023	162,640	122,100	(71,600)	213,140
Total notes payable	\$ 1,860,216	\$ 301,870	\$ (682,583)	\$ 1,479,503
Other financings:				
Lease and subscription IT liabilities	\$ 22,123	\$ 19,892	\$ (28,977)	\$ 13,038
Financed purchase agreement, due in annual installments through 2024 at 0% interest	560	—	(560)	—
Total other financings	\$ 22,683	\$ 19,892	\$ (29,537)	\$ 13,038

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

The notes and bond indentures, among other things, require the PHEAA to comply with various covenants. Student loans and investments collateralize all student loan financing. As of June 30, 2024, \$1,900,000 of student loan principal and related interest receivable and \$250,000 of cash equivalents collateralized the \$1,900,000 of student loan financing.

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 \$213,140 of student loan financings, which are recourse obligations to PHEAA.

PHEAA has three lines of credit that had a total outstanding balance of \$321,000 as of June 30, 2024. The lines of credit had a total unused balance of \$479,000 as of June 30, 2024.

The PHEAA reported debt service requirements subsequent to June 30, 2024, based upon stated maturities for student loan bonds and estimated interest payments for variable-rate debt after considering terms renegotiated after June 30, 2024 are as follows:

Year of maturity	Student Loan Bonds and Notes	
	Principal	Interest
2025	\$ 214,640	\$ 89,348
2026	114,302	89,321
2027	7,200	88,998
2028	13,400	88,614
2029	33,780	87,859
2030-2034	108,100	415,652
2035-2039	32,087	400,282
2040-2044	588,338	325,283
2045-2049	91,460	213,742
2050-2054	44,000	198,672
2055-2059	—	194,803
2060-2064	—	194,803
2065-2069	314,797	143,707
2070	312,055	16,847
Total	\$ 1,874,159	\$ 2,547,931

Reported as:

Education loan revenue bonds payable	404,927
Premium on revenue bonds payable	(12,417)
Notes payable - current	214,640
Notes payable - noncurrent	1,264,863
Discount on student loan floating rate notes	563
Call premium on student loan floating rate notes	1,583
Total principal	\$ 1,874,159

Other than the education loan revenue bonds, the student loan financings are variable-rate debt, which have interest rates that reset on various dates. As of June 30, 2024, interest rates on \$107,900 reset monthly based on an average of asset-backed commercial paper and \$1,400,000 was indexed to the 30-day or 90-day average secured overnight financing rate Secured Overnight Financing Rate (SOFR).

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Long-Term Obligations

Significant revenue bond obligations, direct placements and borrowings of the PTC (as of May 31, 2024) and revenue bond and note payable obligations the PHFA (as of June 30, 2024), 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, 2023	Additions	Reductions	Balance May 31, 2024
PTC.....	2009-24	various	2059	\$ 14,917,469	\$ 1,041,688	\$ 498,795	\$ 15,460,362
Less: unamortized bond discount				(293)	—	(14)	(279)
Add: unamortized bond premium				1,520,842	55,769	77,817	1,498,794
Add: direct placements and borrowings				656,775	90,000	276,425	470,350
TOTAL				<u>\$ 17,094,793</u>	<u>\$ 1,187,457</u>	<u>\$ 853,023</u>	<u>\$ 17,429,227</u>

Year of Maturity	Bonds			Direct Placements and Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2025.....	\$ 322,585	\$ 720,583	\$ 1,043,168	\$ 88,500	\$ 15,023	\$ 103,523
2026.....	354,955	709,277	1,064,232	—	14,647	14,647
2027.....	391,280	690,942	1,082,222	—	15,157	15,157
2028.....	394,060	673,273	1,067,333	—	15,176	15,176
2029.....	429,764	655,784	1,085,548	—	15,139	15,139
2030-2034.....	2,655,756	2,972,781	5,628,537	—	75,786	75,786
2035-2039.....	3,666,546	2,230,451	5,896,997	63,845	71,194	135,039
2040-2044.....	3,694,361	1,411,075	5,105,436	228,005	32,688	260,693
2045-2049.....	2,640,545	545,983	3,186,528	—	18,000	18,000
2050-2054.....	910,510	88,022	998,532	66,160	15,423	81,583
2055-2059.....	—	—	—	23,840	954	24,794
Total	<u>\$15,460,362</u>	<u>\$10,698,171</u>	<u>\$26,158,533</u>	<u>\$ 470,350</u>	<u>\$ 289,187</u>	<u>\$ 759,537</u>

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

REVENUE BONDS & NOTES PAYABLE	Issue Dates	Interest Rates	Maturity Dates Through	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024
PHFA	2004-2024	various	2055	\$ 4,544,577	\$1,189,915	\$ 241,507	\$ 5,492,985
Add: unamortized bond premium				99,425	20,825	11,040	109,210
TOTAL				<u>\$ 4,644,002</u>	<u>\$1,210,740</u>	<u>\$ 252,547</u>	<u>\$ 5,602,195</u>

Year of Maturity	Principal	Interest	Total
2025	\$ 156,804	\$ 206,831	\$ 363,635
2026	164,498	206,331	370,829
2027	173,658	200,281	373,939
2028	172,623	194,024	366,647
2029	173,473	187,690	361,163
2030-2034	912,687	843,440	1,756,127
2035-2039	868,407	687,968	1,556,375
2040-2044	911,120	524,412	1,435,532
2045-2049	947,630	348,158	1,295,788
2050-2054	969,420	120,726	1,090,146
2055-2059	42,665	1,280	43,945
Total	<u>\$ 5,492,985</u>	<u>\$ 3,521,141</u>	<u>\$ 9,014,126</u>

The table below presents significant bond obligations of SSHE at June 30, 2024 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, 2023	Additions	Reductions	Balance June 30, 2024
SSHE	2013-21	various	2059	\$ 1,794,795	\$ —	\$ 189,060	\$ 1,605,735

Year of Maturity	Principal	Interest	Total
2025	\$ 90,720	\$ 50,066	\$ 140,786
2026	91,225	47,357	138,582
2027	98,265	44,623	142,888
2028	99,130	41,700	140,830
2029	99,485	38,674	138,159
2030-2034	457,355	148,876	606,231
2035-2039	413,730	80,374	494,104
2040-2044	227,995	23,067	251,062
2045-2049	23,670	2,483	26,153
2050-2054	3,680	690	4,370
2055-2059	480	24	504
Total	<u>\$ 1,605,735</u>	<u>\$ 477,934</u>	<u>\$ 2,083,669</u>

Note: The total principal obligations outstanding do not include \$719,101 in bonds and notes payable reported by component units of the SSHE.

Conduit Debt

The PHFA is financing a portion of housing projects through the issuance of special limited obligation multifamily housing development bonds for the construction or preservation of affordable multifamily housing in the Commonwealth. The bonds are secured by the properties financed and are payable from income generated by the properties. At June 30, 2024, the PHFA

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

had \$802,425 of such bonds outstanding. Neither the PHFA nor the Commonwealth have any obligation to pay 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, 2024, the SPSBA had \$2,152,184 in debt outstanding. Neither the SPSBA nor the Commonwealth have any obligation to pay 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, 2024, the PHEFA had \$5,039,807 of debt outstanding. Neither the PHEFA nor the Commonwealth have any obligation to pay 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, 2024, the PEDFA had \$8,746,528 of debt outstanding of which \$8,469,858 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 September 2023, the PTC issued \$400,000 of 2023 Series A Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2053. The 2023 Series A Senior Revenue Bonds were primarily issued to finance the cost of various capital expenditures set forth in the PTC's Ten-Year Capital Plan, including but not limited to the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or rehabilitation of certain interchanges, to refund a portion of the 2013 Series C Senior Revenue Bonds (\$15,895) and the 2018 EB-5 Loan 2nd Tranche (\$45,000), and for paying the costs of issuing the 2023 Series A Senior Revenue Bonds. The current refunding of the 2013 Series C Senior Revenue Bonds and the 2018 EB-5 Loan 2nd Tranche allowed the PTC to reduce its debt service by approximately \$1.900. The transaction resulted in an economic gain of \$1.400.

In November 2023, the PTC issued \$190,125 of 2023 Series B Senior Revenue Refunding Bonds at a variable rate with a maturity of December 1, 2043. The 2023 Series B Senior Revenue Refunding Bonds were primarily issued to refund the 2018 Series A-1 Senior Revenue Bonds (\$117,745) and 2018 Series B Senior Revenue Bonds (\$71,200), obtain the TD Letter of Credit as a Credit Facility in connection with the 2023 Series B Senior Revenue Refunding Bonds and for paying the costs of issuing the 2023 Series B Senior Revenue Refunding Bonds.

In January 2024, the PTC issued \$205,835 of 2024 Series A Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2044. The 2024 Series A Senior Revenue Bonds were primarily issued to finance the cost of various capital expenditures set forth in the PTC's Ten-Year Capital Plan, including but not limited to the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or rehabilitation of certain interchanges and for paying the costs of issuing the 2024 Series A Senior Revenue Bonds.

In February 2024, the PTC issued \$90,000, as a Direct Placement, 2024 Series B Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2054. The 2024 Series B Senior Revenue Bonds were primarily issued to finance the cost of various capital expenditures set forth in the PTC's Ten-Year Capital Plan, including but not limited to the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or rehabilitation of certain interchanges and for paying the costs of issuing the 2024 Series B Senior Revenue Bonds.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Net Pension Liability and Pension Expense

The PTC, PHEAA, PENNVEST, and SSHE all have employees who 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, 2024 (May 31, 2024 for the PTC), these entities reported a net pension liability, proportionate share percentage, and pension expense as follows:

SERS

Fiscal year ended June 30, 2024	PTC (May 31, 2024)	PHEAA	PENNVEST	SSHE
Net pension liability	\$ 296,572	\$ 226,316	\$ 9,420	\$ 858,718
Proportionate share percentage	1.40 %	1.07 %	0.045 %	4.06 %
Pension (expense) income	\$ (17,500)	\$ 10,197	\$ (1,372)	\$ (65,857)

PSERS

Fiscal year ended June 30, 2024	SSHE
Net pension liability	\$ 81,588
Proportionate share percentage	18.34 %
Pension (expense) income	\$ (13,947)

The PHFA’s full-time employees participate in two defined benefit single employer plans. For the fiscal year ended June 30, 2024, the PHFA reported a net pension liability of \$33,040 and a pension expense of \$5,346.

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 sponsored 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, 2024), PHFA, PHEAA, PENNVEST, and SSHE at June 30, 2024 as follows:

As of and for the fiscal year ended June 30, 2024	PTC (May 31, 2024)	PHFA	PHEAA	PENNVEST	SSHE
Net OPEB liability	\$ (173,457)	\$ 84,962	\$ 141,121	\$ 3,149	\$ 1,176,212
OPEB (expense) income	\$ 15,100	\$ (155)	\$ 30,200	\$ 554	\$ (148,299)

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 years 2014 through 2022 remains at \$450,000, and in 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, 2024 the PTC has paid PennDOT \$8,000,000; the **Motor License Fund** received \$2,250,000; and the Public Transportation Trust Fund received \$5,750,000.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

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 the original issue discount, may be issued in any calendar year. No such bonds may be issued unless the Amended Funding Agreement is in effect, and no such bonds may be outstanding beyond the stated term of the Amended Funding Agreement at the time of issuance. Special Revenue Refunding Bonds (as defined in § 9511.2 of Act 44) shall not be deemed to count against the total or annual maximum issuance volume under Act 44. Pursuant to Act 89, Special Revenue Bonds may not be issued by the Commission to fund any portion of its annual payment obligation commencing July 1, 2014, as all of such annual payment obligations are 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 \$970,700 at May 31, 2024.

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, 2024 (May 31, 2024 for the PTC):

	PTC	PHFA	PHEAA	PENNVEST	SSHE
Deferred Outflows of Resources					
Hedge derivative instruments	\$ 589	\$ 8,732	\$ —	\$ —	\$ —
Pensions					
Difference between expected and actual experience	8,373	8,167	6,390	266	24,263
Net difference between projected and actual investment earnings	23,301	4,469	17,781	740	69,776
Changes in proportions	—	—	—	519	1,780
Changes in assumptions	12,781	421	9,753	406	38,224
Difference between employer contributions and proportionate share of total contributions	706	—	6,446	20	3,126
Contributions after the measurement date	16,642	1,400	16,224	546	66,440
OPEB					
Difference between expected and actual experience	59,569	5,455	5,385	120	9,011
Net difference between projected and actual investment earnings	32,768	—	137	3	238
Changes in proportions	—	—	13,517	507	122
Changes in assumptions	16,324	9,484	9,841	220	83,794
Contributions after the measurement date	13,419	2,422	4,082	205	49,507
Deferred loss on bond refundings	232,643	—	753	—	3,083
Total	\$ 417,115	\$ 40,550	\$ 90,309	\$ 3,552	\$ 349,364
Deferred Inflows of Resources					
Deferred gain on bond refundings	\$ 20,869	\$ 1,969	\$ —	\$ —	\$ 1,338
Hedge derivative instruments	110,313	2,442	—	—	—
Split-interest agreements	—	—	—	—	8
Pensions					
Difference between expected and actual experience	603	58	460	19	2,862
Net difference between projected and actual investment earnings	—	—	—	—	—
Changes in proportions	28,540	—	82,946	295	51,333
Changes in assumptions	—	831	—	—	—
Difference between employer contributions and proportionate share of total contributions	651	—	219	12	513
OPEB					
Difference between expected and actual experience	34,537	9,982	42,715	954	240,867
Changes in proportions	—	—	58,868	400	135,719
Changes in assumptions	130,461	39,909	37,279	832	315,135
Leases	46,992	—	1,458	—	15,712
Service concession arrangements	82,600	—	—	—	—
Total	\$ 455,566	\$ 55,191	\$ 223,945	\$ 2,512	\$ 763,487

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

On June 20, 2024, the PTC executed a new \$200,000 line of credit with PNC Bank, N.A. The PTC secured this line of credit as a continuing liquidity safeguard and because the 2023 Line of Credit expired on June 17, 2024.

On June 27, 2024, the PTC issued \$300,000 of 2024 Series C Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2054. The 2024 Series C Senior Revenue Bonds were primarily issued to finance the cost of various capital expenditures set forth in the PTC's Ten-Year Capital Plan, including but not limited to the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or rehabilitation of certain interchanges and for paying the costs of issuing the 2024 Series C Senior Revenue Bonds.

On August 6, 2024, the PTC authorized the approval of the issuance of the PTC's variable and/or fixed rate Turnpike Senior Revenue Bonds or Notes and Subordinate Revenue Bonds or Notes in an aggregate principal amount not to exceed \$650,000 in one or more series or sub-series, taxable or tax-exempt, for the purpose of financing the refunding of all or a portion of certain outstanding Senior Indenture Turnpike Revenue Bonds and/or Subordinate Indenture Turnpike Revenue Bonds, funding of any necessary reserves and funding of the costs of issuance of such bonds.

On September 3, 2024, the PTC approved the Amendment of the authorized not-to-exceed aggregate principal amount from \$250,000 to \$600,000 for one or more series or sub-series of PTC's Turnpike Subordinate Revenue Refunding Bonds, approved by Resolution of the PTC adopted October 3, 2023.

On September 4, 2024, the PTC issued \$280,495 of 2024 First Series Senior Revenue Refunding Bonds at a fixed rate with a maturity of December 1, 2044. The 2024 First Series Senior Revenue Refunding Bonds were primarily issued to finance the cost of refunding the 2012 Series A Senior Revenue Bonds (\$5,680), a portion of the 2014 Series A Senior Revenue Bonds (\$150,275), and the 2014 Series C Senior Revenue Bonds (\$160,305), and for paying the costs of issuing the 2024 First Series Senior Revenue Refunding Bonds.

On September 17, 2024, the PTC authorized the approval of the issuance of the PTC's variable and/or fixed rate Turnpike Senior Revenue Bonds in an aggregate principal amount not to exceed \$650,000 in one or more series or sub-series, taxable or tax-exempt, for the purpose of financing the costs of various capital expenditures for the Pennsylvania Turnpike System set forth in the PTC's current Ten-Year Capital Plan, the refunding of all or a portion of certain outstanding fixed rate and/or variable rate Turnpike Senior Revenue Bonds designated by the PTC, including the modification and/or termination of related swap agreements, the funding of necessary reserves, and the funding of the costs of issuance of such Turnpike Senior Revenue Bonds.

On September 17, 2024, the PTC authorized the approval of the issuance of the Pennsylvania Turnpike Commission's variable and/or fixed rate Turnpike Senior Revenue Refunding Bonds in an aggregate principal amount not to exceed \$250,000 in one or more series or sub-series, taxable or tax-exempt for the purpose of financing the refunding of all or a portion of certain outstanding fixed rate and/or variable rate Turnpike Senior Revenue Refunding Bonds designated by the Commission, including the modification and/or termination of related swap agreements, the funding of necessary reserves, and the obtaining and funding of costs one or more credit facilities to provide credit enhancement or liquidity support in connection with the issuance of the bonds, and the costs of issuance of such Turnpike Senior Revenue Refunding Bonds.

On September 17, 2024, the PTC authorized the approval of the issuance of the PTC's revolving line of credit, in one or more series or sub-series, fixed or floating rate, taxable or tax-exempt under its amended and restated trust indenture dated as of March 1, 2001, in an aggregate principal amount not to exceed \$200,000, in a single issuance or from time to time, for the purpose of funding or refinancing costs including general working capital needs of the PTC, including funding/reimbursing necessary reserves and the payment of debt service on outstanding Turnpike Revenue Bonds.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

On September 17, 2024, the PTC authorized the approval of the issuance of the PTC's Registration Fee Revenue Refunding Bonds, in one or more series or sub-series, in an aggregate principal amount not to exceed \$250,000, to finance the costs of the current refunding of the PTC's 2023 Registration Fee Revenue Refunding Bonds, the funding of debt service reserves, entering into one or more credit facilities in connection with the issuance of the bonds, and funding the costs of issuance of such Turnpike Registration Fee Revenue Bonds, including any payments due upon amendment or termination of any existing swaps.

On September 17, 2024, the PTC authorized the approval of the issuance of the PTC's fixed and/or variable rate Turnpike Senior Revenue Bonds in an aggregate principal amount not to exceed \$600,000 in one or more series or sub-series, taxable or tax-exempt, for the purpose of financing the capital expenditures for the Pennsylvania Turnpike System set forth in the PTC's current Ten-Year Capital Plan, refunding of all or a portion of certain outstanding fixed rate and/or variable rate Turnpike Senior Revenue Bonds designated by the PTC, including the modification and/or termination of related swap agreements, funding of necessary reserves, and funding of the costs of issuance of such Turnpike Senior Revenue Bonds; authorizing the issuance of any bonds on a forward delivery basis; authorizing a tender and exchange program with respect to the refunding of any such prior bonds issued by the PTC and authorizing the defeasance of a portion of prior bonds issued by the PTC with not to exceed \$50,000 in available moneys of the PTC.

On September 17, 2024, the PTC authorized the approval of the issuance of the PTC's variable and/or fixed rate Oil Franchise Tax Revenue Bonds in an aggregate principal amount not to exceed \$250,000 in one or more series or sub-series, taxable and/or tax-exempt, senior and/or subordinate for the purpose of financing the costs of various capital expenditures for the Pennsylvania Turnpike System set forth in the PTC's current or any prior independently funding capital plan, including any amendment thereto, including, but not limited to, funding of capital expenditures related to the Southern Beltway or the Mon/Fayette Expressway; and the refunding of all or a portion of certain outstanding Oil Franchise Tax Revenue Bonds, including the funding of necessary reserves.

On September 17, 2024, the PTC authorized the approval of the issuance of the PTC's subordinate indenture bonds or notes, including Subordinate Revenue Bonds, bond anticipation notes and special revenue bonds, in one or more series or sub-series, fixed rate or variable rate, taxable or tax-exempt, in an aggregate initial principal amount not to exceed \$600,000, to finance or refinance the costs of, (a) advance or currently refunding all or a portion of any series or maturities of any bond anticipation notes, other short-term indebtedness or subordinate indenture bonds, including special revenue bonds, previously issued by the PTC, (b) any debt service reserve or similar funds, credit facility costs or capitalized interest related to such bonds; and (c) issuance of such bonds; authorizing the issuance of any bonds on a forward delivery basis; and authorizing a tender and exchange program with respect to the refunding of any of the prior bonds.

On September 17, 2024, the PTC authorized the approval of the issuance of the PTC's (i) senior indenture bonds or notes, including bond anticipation notes, and (ii) subordinate indenture bonds or notes, including Subordinate Revenue Bonds, bond anticipation notes and special revenue bonds, each in one or more series or sub-series, fixed rate, multi-modal or variable rate, taxable and/or tax-exempt, in an aggregate initial principal amount not to exceed \$500,000, to finance the costs of (a) currently or advance refunding all or a portion of any bond anticipation notes, other short-term indebtedness, senior indenture bonds or subordinate indenture bonds, including special revenue bonds, previously issued by the PTC, (b) any debt service reserve or similar funds or credit facility costs related to such bonds, and (c) issuance of such bonds; authorizing the issuance of any bonds on a forward delivery basis; and authorizing a tender and exchange program with respect to the refunding of any such prior bonds issued by the PTC and providing for the appointment of professionals and authorizing documents with respect thereto.

On October 8, 2024, the PTC issued \$585,140 of 2024 First Series Subordinate Revenue Refunding Bonds at a fixed rate with a maturity of December 1, 2043. The 2024 First Series Subordinate Revenue Refunding Bonds were primarily issued to finance the cost of purchasing the Purchased Refunded Bonds pursuant to the Tender Offer for the 2009 Series C Subordinate Revenue Bonds (\$5,045), 2009 Series E Subordinate Revenue Bonds (\$26,040), 2016 Third Series A Subordinate Revenue Refunding Bonds (\$53,250), 2016 Series A-2 Subordinate Revenue Bonds (\$39,310), 2016 Second Subordinate Revenue Refunding Bonds (\$128,450), 2017 Series A Subordinate Revenue Bonds (\$14,145), 2017 Series B-1 Subordinate Revenue Bonds (\$29,795), 2017 Series B-2 Subordinate Revenue Bonds (\$63,425), 2019 First Series Subordinate Revenue Refunding Bonds (Federally Taxable) (\$30,325), and 2020 First Series Subordinate Revenue Refunding Bonds (Federally Taxable) (\$7,750); defeasing and redeeming the Defeased Refunded Bonds of the 2012 Series B Subordinate Revenue Bonds (\$36,125), 2013

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Series A Subordinate Revenue Bonds (\$580), 2013 Series B-1 Subordinate Revenue Bonds (\$11,005), 2013 Series B-3 Subordinate Revenue Bonds (\$17,925), 2014 Series A-1 Subordinate Revenue Bonds (\$61,130), 2014 Series B Subordinate Revenue Bonds (\$136,215); and paying for the costs of issuing the 2024 First Series Subordinate Revenue Refunding Bonds

PHEAA

In July 2024, the PHEAA issued Education Loan Revenue Bonds, Series 2024A (Taxable Variable Rate Demand Obligation) in the aggregate principal amount of \$184,973. The bonds are being issued to acquire or refinance student loans originated under the FFEL program presently securing two lines of credit used to acquire or finance such loans, (ii) depositing to the reserve account, and (iii) paying certain costs of issuance of the bonds. The Education Loan Revenue Bonds, Series 2024A initial interest rate is 5.36% and resets on a weekly basis, and this bond issuance is supported by a 5-year letter of credit that expires on July 17, 2029.

SSHE

The 2024-25 State budget, which was signed by Governor Shapiro on July 11, 2024, provides for an additional appropriation of \$85,000 to the State System for facilities transition costs, the payment of bond debt services, loan repayments and other repayments. In September 2024, a portion of these funds, approximately \$58,950, were used by the State System to make early repayment of various bonds series for Commonwealth University of Pennsylvania and Indiana University of Pennsylvania.

In August 2024, a federal jury awarded a \$3,934 verdict in favor of the plaintiff against Commonwealth University of Pennsylvania, University officials, and the State System. The verdict pertains to a matter that existed at the end of the fiscal year ending June 30, 2024. This amount, as well as estimated legal fees and interest expense totaling approximately \$5,265 has been recorded in the accompanying financial statements. The State System is in the process of filing post-trial motions seeking to reduce or eliminate various parts of the award and an appeal will likely follow.

PHFA

On December 18, 2024, the PHFA issued Single Family Revenue Bonds, Series 2024-147, in the amount of \$301,817.

NOTE 17 - SUBSEQUENT EVENTS

Budget Stabilization Surplus Transfer

In accordance with Section 1702-A of the Fiscal Code of 1929, the Secretary of the Budget certified a surplus in the **General Fund** for the 2023-2024 fiscal year. A transfer to the Budget Stabilization Reserve Fund in the amount of \$736,899 occurred on September 10, 2024.

General Obligation Bonds

On October 30, 2024, the Commonwealth issued General Obligation Bonds, First New Money of 2024 in the amount of \$1,395,000. The proceeds of the issuance will be used for public improvement projects, transportation assistance projects, and redevelopment assistance projects.

On October 30, 2024, the Commonwealth sold \$237,100 General Obligation Bonds, First Refunding Series of 2024 to refund \$248,245 of prior issued Commonwealth general obligation bonds. Anticipated debt service savings from this refunding is \$18,098.



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

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

(Amounts in thousands)	2024	2023	2022 ⁽⁴⁾	2021 ^{(2) (3)}	2020	2019	2018	2017	2016 ⁽¹⁾	2015
SERS as of 12/31										
Commonwealth's portion of the net pension liability	93.05 %	92.32 %	96.84 %	89.03 %	82.82 %	82.57 %	82.48 %	82.44 %	83.05 %	82.94 %
Commonwealth's proportionate share of the net pension liability ..	\$ 18,010,200	\$ 1,940,012	\$ 12,303,402	\$ 15,335,771	\$ 15,054,957	\$ 17,199,452	\$ 14,261,464	\$ 15,879,154	\$ 15,097,007	\$ 12,318,240
Commonwealth's covered payroll	\$ 5,751,165	\$ 5,472,641	\$ 5,361,591	\$ 5,314,622	\$ 5,160,460	\$ 5,021,603	\$ 4,859,626	\$ 4,801,482	\$ 4,883,069	\$ 4,668,334
Commonwealth's proportionate share of the net pension liability as a percentage of its covered payroll	313.16 %	354.49 %	229.47 %	288.56 %	291.74 %	342.51 %	293.47 %	330.71 %	309.17 %	263.87 %
Plan fiduciary net position as a percentage of the total pension liability	65.30 %	61.50 %	76.00 %	67.00 %	63.10 %	56.40 %	63.00 %	57.80 %	58.90 %	64.80 %
PSERS as of 6/30										
Non-employer contributing entity										
Commonwealth's proportionate share of the net pension liability ..	\$ 267,986	\$ 265,063	\$ 246,997	\$ 303,115	\$ 287,853	\$ 290,094	\$ 290,651	\$ 291,791	\$ 251,536	\$ 223,083

- The notes to required supplementary information are an integral part of this schedule. -

(1) 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 the 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 in the net pension liability.

(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 actuary, under the 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.

(3) 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 benefited the employer who made the payment. This caused the Commonwealth's portion of the SERS plan's net pension liability to increase significantly.

(4) Act 2019-105 allows eligible employers to make a one-time lump-sum payment of their respective unfunded liability. In April 2022, a non-Commonwealth employer submitted a one-time lump sum payment of \$825 million toward its unfunded liability. This lump sum payment reduced the net pension liability for the SERS plan but exclusively benefited 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

(Amounts in thousands)	2024 ⁽¹⁾	2023	2022	2021	2020	2019	2018	2017	2016	2015
SERS as of 6/30										
Contractually required contribution...	\$ 2,094,016	\$ 1,986,331	\$ 1,838,771	\$ 1,825,640	\$ 1,771,080	\$ 1,700,900	\$ 1,669,819	\$ 1,473,131	\$ 1,222,732	\$ 1,005,654
Contributions in relation to the contractually required contribution...	(2,094,016)	(1,986,331)	(1,838,771)	(1,825,640)	(1,771,080)	(1,706,169)	(1,664,550)	(1,473,131)	(1,222,732)	(1,005,654)
Contribution deficiency (excess).....	—	—	—	—	—	(5,269)	5,269	—	—	—
Commonwealth's covered payroll.....	\$ 5,751,165	\$ 5,472,641	\$ 5,302,220	\$ 5,389,793	\$ 5,206,011	\$ 5,096,774	\$ 4,922,164	\$ 4,831,379	\$ 4,682,957	\$ 4,678,587
Contributions as a percentage of its covered payroll	36.41 %	36.3 %	34.68 %	33.87 %	34.02 %	33.48 %	33.82 %	30.49 %	26.11 %	21.49 %

PSERS as of 6/30

Non-employer contributing entity

Contributions to the plan.....	\$ 32,832	\$ 31,565	\$ 29,775	\$ 28,532	\$ 28,758	\$ 27,555	\$ 25,642	\$ 22,510	\$ 18,732	\$ 14,994
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- The notes to required supplementary information are an integral part of this schedule. -

(1) Contributions to the PSERS plan as of June 30, 2024 are based on an accrued estimate and are revised annually to reflect the Commonwealth's proportionate share of contributions reported by the PSERS.

Commonwealth of Pennsylvania
Schedule of OPEB Amounts
Changes in the Net OPEB Liability and Related Ratios
Retired Employees Health Program (REHP)
For the Last Ten Fiscal Years Ended June 30, ⁽¹⁾

(Amounts in thousands)

REHP								
As of and for the fiscal year ended June 30	2024 ⁽²⁾	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability								
Service cost	\$ 178,788	\$ 254,312	\$ 318,669	\$ 473,034	\$ 353,220	\$ 398,501	\$ 527,110	\$ 617,953
Interest	479,865	492,319	399,778	288,619	384,165	586,939	736,947	633,617
Differences between expected and actual experience	(501,427)	(1,431,856)	446,115	(1,073,951)	12,936	(5,082,545)	(5,445,495)	—
Changes of assumptions	(370,342)	(870,494)	(1,163,056)	(1,171,069)	1,617,170	403,428	(576,855)	(2,228,187)
Benefit payments	(490,454)	(460,268)	(466,070)	(455,512)	(448,809)	(550,144)	(611,081)	(649,705)
Contributions - retiree	57,879	56,041	53,031	49,517	48,531	49,179	48,585	52,198
Net change in total OPEB liability	\$ (645,691)	(1,959,946)	(411,533)	(1,889,362)	1,967,213	(4,194,642)	(5,320,789)	(1,574,124)
Total OPEB liability - beginning	8,527,705	10,487,651	10,899,184	12,788,546	10,821,333	15,015,975	20,336,764	21,910,888
Total OPEB liability - ending (a)	\$ 7,882,014	\$ 8,527,705	\$ 10,487,651	\$ 10,899,184	\$ 12,788,546	\$ 10,821,333	\$ 15,015,975	\$ 20,336,764
Plan fiduciary net position								
Contributions - employer	\$ 489,659	\$ 461,133	\$ 468,157	\$ 451,879	\$ 465,137	\$ 558,876	\$ 591,796	\$ 653,720
Contributions - retiree	57,879	56,041	53,031	49,517	48,531	49,179	48,585	52,198
Net investment earnings	112,527	78,950	(95,404)	157,799	2,421	21,283	27,351	31,833
Benefit payments	(490,454)	(460,268)	(466,070)	(455,512)	(448,809)	(550,144)	(611,081)	(649,705)
Administrative expense	(6,508)	(5,451)	(5,363)	(5,807)	(5,707)	(5,562)	(5,232)	(6,213)
Net change in plan fiduciary net position	\$ 163,103	130,405	(45,649)	197,876	61,573	73,632	51,419	81,833
Plan fiduciary net position - beginning	751,685	621,280	666,929	469,053	407,480	333,848	282,429	200,596
Plan fiduciary net position - ending (b)	\$ 914,788	\$ 751,685	\$ 621,280	\$ 666,929	\$ 469,053	\$ 407,480	\$ 333,848	\$ 282,429
Net OPEB liability (a) - (b)	\$ 6,967,226	\$ 7,776,020	\$ 9,866,371	\$ 10,232,255	\$ 12,319,493	\$ 10,413,853	\$ 14,682,127	\$ 20,054,335
Plan fiduciary net position as a % of total OPEB liability...	11.61 %	8.81 %	5.92 %	6.12 %	3.67 %	3.77 %	2.22 %	1.39 %
Covered-employee payroll	\$ 4,486,346	\$ 4,362,432	\$ 4,188,532	\$ 4,161,481	\$ 4,083,699	\$ 3,992,729	\$ 3,911,464	\$ 3,902,336
Total/Net OPEB liability as a % of covered-employee payroll	155.30 %	178.25 %	235.56 %	245.88 %	301.67 %	260.82 %	375.36 %	513.91 %

- The notes to required supplementary information are an integral part of this schedule. -

(1) The Commonwealth adopted GASB 74 on a prospective basis for the fiscal year ended June 30, 2017; therefore, only eight years are presented in the above schedule.

(2) For the fiscal year ended June 30, 2024, the discount rate applied for the development of the net OPEB liability was 6.09%. The discount rate is blended based on the long-term expected rate of return on assets held in the OPEB investment pool and the 20-year Bond Buyer GO Index. The investment rate of return used was 6.75%, and the inflation rate was 2.50%.

Commonwealth of Pennsylvania
Schedule of OPEB Amounts
Changes in the Net OPEB Liability and Related Ratios
Retired Pennsylvania State Police Program (RPSPP)
For the Last Ten Fiscal Years Ended June 30, ⁽¹⁾

(Amounts in thousands)

RPSPP								
As of and for the fiscal year ended June 30	2024 ⁽²⁾	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability								
Service cost	\$ 154,856	\$ 167,479	\$ 257,982	\$ 212,753	\$ 150,941	\$ 145,817	\$ 161,103	\$ 193,336
Interest	231,684	241,339	184,222	153,410	205,461	234,405	225,601	196,049
Differences between expected and actual experience	(66,646)	(499,888)	(90,929)	494,350	(216,290)	(728,659)	(202,655)	—
Changes of assumptions	(315,024)	(188,699)	(1,808,717)	839,654	1,018,439	296,435	(272,746)	(803,662)
Benefit payments	(184,875)	(172,747)	(156,950)	(161,802)	(138,281)	(143,323)	(140,440)	(123,595)
Contributions - retiree	1,140	1,139	1,207	1,131	1,137	1,072	1,077	1,143
Net change in total OPEB liability	(178,865)	(451,377)	(1,613,185)	1,539,496	1,021,407	(194,253)	(228,060)	(536,729)
Total OPEB liability - beginning	6,283,686	6,735,063	8,348,248	6,808,752	5,787,345	5,981,598	6,209,658	6,746,387
Total OPEB liability - ending (a)	\$ 6,104,821	\$ 6,283,686	\$ 6,735,063	\$ 8,348,248	\$ 6,808,752	\$ 5,787,345	\$ 5,981,598	\$ 6,209,658
Plan fiduciary net position								
Contributions - employer	\$ 186,585	\$ 172,426	\$ 157,314	\$ 158,772	\$ 142,448	\$ 142,292	\$ 133,813	\$ 122,870
Contributions - retiree	1,140	1,139	1,207	1,131	1,137	1,072	1,077	1,143
Net investment earnings	19,939	14,154	(18,891)	34,919	1,058	4,854	8,714	11,133
Benefit payments	(184,875)	(172,747)	(156,950)	(161,802)	(138,281)	(143,323)	(140,440)	(123,595)
Administrative expense	(1,033)	(735)	(726)	(661)	(559)	(510)	(473)	(417)
Net change in plan fiduciary net position	21,756	14,237	(18,046)	32,359	5,803	4,385	2,691	11,134
Plan fiduciary net position - beginning	135,095	120,858	138,904	106,545	100,742	96,357	93,666	82,532
Plan fiduciary net position - ending (b)	156,851	135,095	120,858	138,904	106,545	100,742	96,357	93,666
Net OPEB liability (a) - (b)	\$ 5,947,970	\$ 6,148,591	\$ 6,614,205	\$ 8,209,344	\$ 6,702,207	\$ 5,686,603	\$ 5,885,241	\$ 6,115,992
Plan fiduciary net position as a % of total OPEB liability ...	2.57 %	2.15 %	1.79 %	1.66 %	1.56 %	1.74 %	1.61 %	1.51 %
Covered-employee payroll	\$ 497,985	\$ 510,797	\$ 466,390	\$ 447,926	\$ 426,728	\$ 408,648	\$ 387,245	\$ 386,602
Total/Net OPEB liability as a % of covered-employee payroll	1,194.41 %	1,203.72 %	1,418.17 %	1,832.75 %	1,570.60 %	1,391.57 %	1,519.77 %	1,581.99 %

- The notes to required supplementary information are an integral part of this schedule. -

(1) The Commonwealth adopted GASB 74 on a prospective basis for the fiscal year ended June 30, 2017; therefore, only eight years are presented in the above schedule.

(2) For the fiscal year ended June 30, 2024, the discount rate applied for the development of the net OPEB liability was 3.93%. The discount rate is based on the 20-year Bond Buyer GO Index. The investment rate of return used was 6.75%, and the inflation rate was 2.50%.

Commonwealth of Pennsylvania
Schedule of OPEB Amounts
Contributions and Investment Returns
Retired Employees Health Program (REHP)
Retired Pennsylvania State Police Program (RPSPP)
For the Last Ten Fiscal Years Ended June 30, ⁽¹⁾

(Amounts in thousands)

Schedule of Contributions

	2024	2023	2022	2021	2020	2019	2018	2017
REHP								
Contractually required contribution ⁽²⁾	\$ 530,910	\$ 276,731	\$ 235,156	\$ 274,020	\$ 459,372	\$ 588,273	\$ 493,288	\$ 734,378
Contributions in relation to the contractually required contribution	(489,659)	(461,133)	(468,157)	(451,879)	(465,137)	(558,876)	(591,796)	(653,720)
Contribution deficiency (excess)	\$ 41,251	\$ (184,402)	\$ (233,001)	\$ (177,859)	\$ (5,765)	\$ 29,397	\$ (98,508)	\$ 80,658
Covered-employee payroll	\$ 4,486,346	\$ 4,362,432	\$ 4,188,532	\$ 4,161,481	\$ 4,083,699	\$ 3,992,729	\$ 3,911,464	\$ 3,902,336
Contributions as a % of covered-employee payroll	10.91 %	10.57 %	11.18 %	10.86 %	11.39 %	14.00 %	15.13 %	16.75 %
RPSPP								
Contractually required contribution ⁽²⁾	\$ 178,384	\$ 185,369	\$ 151,097	\$ 152,857	\$ 149,434	\$ 144,786	\$ 131,499	\$ 132,201
Contributions in relation to the contractually required contribution	(186,585)	(172,426)	(157,314)	(158,772)	(142,448)	(142,292)	(133,813)	(122,870)
Contribution deficiency (excess)	\$ (8,201)	\$ 12,943	\$ (6,217)	\$ (5,915)	\$ 6,986	\$ 2,494	\$ (2,314)	\$ 9,331
Covered-employee payroll	\$ 497,585	\$ 510,797	\$ 466,390	\$ 447,926	\$ 426,728	\$ 408,648	\$ 387,245	\$ 386,602
Contributions as a % of covered-employee payroll	37.5 %	33.76 %	33.73 %	35.45 %	33.38 %	34.82 %	34.56 %	31.78 %
Premium Assistance Plan								
Non-employer contributing entity								
Contributions to the plan	\$ 705	\$ 695	\$ 690	\$ 722	\$ 705	\$ 701	\$ 677	
Commonwealth's proportionate share of the net OPEB liability	\$ 11,147	\$ 10,964	\$ 14,048	\$ 13,260	\$ 13,806	\$ 12,599	\$ 11,990	

Investment Returns

Annual weighted rate of return, net of investment expense ⁽³⁾	2024	2023	2022	2021	2020	2019	2018	2017
REHP	(13.61)%	11.18 %	(12.79)%	31.44 %	1.26 %	4.69 %	13.27 %	13.27 %
RPSPP	(13.61)%	11.18 %	(12.79)%	31.44 %	1.26 %	4.69 %	13.27 %	13.27 %

- The notes to required supplementary information are an integral part of this schedule. -

(1) The Commonwealth adopted GASB 74 on a prospective basis for the fiscal year ended June 30, 2017; therefore, only eight 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 seven 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)

	2024	2023	2022	2021	2020	2019	2018
Judiciary							
Service cost	\$ 26,993	\$ 27,014	\$ 43,932	\$ 38,760	\$ 23,829	\$ 23,134	\$ 22,279
Interest	27,665	27,588	19,190	20,911	26,715	27,007	25,155
Changes of benefit terms	3,431	—	—	—	—	—	—
Differences between expected and actual experience	(68,145)	—	(30,665)	—	(63,125)	—	—
Changes of assumptions	42,652	(31,601)	(194,030)	54,642	45,949	36,007	—
Benefit payments	(27,531)	(27,781)	(26,622)	(23,877)	(22,573)	(22,491)	(23,152)
Net changes in total OPEB liability	\$ 5,065	\$ (4,780)	\$ (188,195)	\$ 90,436	\$ 10,795	\$ 63,657	\$ 24,282
Total OPEB liability - beginning	657,770	662,550	850,745	760,309	749,514	685,857	661,575
Total OPEB liability - ending	\$ 662,835	\$ 657,770	\$ 662,550	\$ 850,745	\$ 760,309	\$ 749,514	\$ 685,857
Covered-employee payroll	\$ 241,935	\$ 232,123	\$ 216,994	\$ 212,516	\$ 213,663	\$ 207,871	\$ 205,458
Total/Net OPEB liability as a % of covered-employee payroll	273.97 %	283.37 %	305.33 %	400.32 %	355.84 %	360.57 %	333.82 %
House							
Service cost	\$ 28,596	\$ 43,925	\$ 46,752	\$ 28,087	\$ 28,429	\$ 30,547	\$ 32,884
Interest	29,280	20,863	17,513	20,793	17,974	20,434	16,804
Changes of benefit terms	—	—	—	6,140	—	—	—
Differences between expected and actual experience	—	100,562	—	(4,000)	—	(84,654)	—
Changes of assumptions	6,804	(319,854)	(64,359)	274,966	(10,332)	5,688	(50,056)
Benefit payments	(23,973)	(24,027)	(23,090)	(20,625)	(19,340)	(19,880)	(18,692)
Net changes in total OPEB liability	\$ 40,707	\$ (178,531)	\$ (23,184)	\$ 305,361	\$ 16,731	\$ (47,865)	\$ (19,060)
Total OPEB liability - beginning	705,569	884,100	907,284	601,923	585,192	633,057	652,117
Total OPEB liability - ending	\$ 746,276	\$ 705,569	\$ 884,100	\$ 907,284	\$ 601,923	\$ 585,192	\$ 633,057
Covered-employee payroll	\$ 98,374	\$ 98,374	\$ 95,126	\$ 95,126	\$ 92,188	\$ 92,188	\$ 92,898
Total/Net OPEB liability as a % of covered-employee payroll	758.61 %	717.23 %	929.40 %	953.77 %	652.93 %	634.78 %	681.45 %

-The notes to required supplementary information are an integral part of this schedule-

(1) The Commonwealth adopted GASB 75 on a prospective basis for the fiscal year ended June 30, 2018; therefore, only seven years are presented in the above schedule for the Judiciary and House. A trust or equivalent arrangement meeting the requirements of GASB 75 has not been established for the Judiciary or House OPEB plans, and assets have not been accumulated to fund OPEB.

Commonwealth of Pennsylvania
Schedule of OPEB Amounts
Changes in the Total OPEB Liability and Related Ratios
For the Last Ten Fiscal Years Ended June 30, ⁽¹⁾

(Amounts in thousands)

	2024	2023	2022	2021	2020	2019	2018
Senate							
Service cost	\$ 1,687	\$ 2,068	\$ 2,122	\$ 6,175	\$ 5,389	\$ 4,260	\$ 4,116
Interest	9,422	9,450	14,268	7,310	9,670	13,576	13,284
Changes of assumptions	(2,473)	(7,854)	(149,486)	24,483	(51,867)	—	—
Benefit payments	(9,724)	(9,365)	(8,885)	(9,649)	(9,845)	(8,967)	(9,142)
Net changes in total OPEB liability	\$ (1,088)	\$ (5,701)	\$ (141,981)	\$ 28,319	\$ (46,653)	\$ 8,869	\$ 8,258
Total OPEB liability - beginning	235,218	240,919	382,900	354,581	401,234	392,365	384,107
Total OPEB liability - ending	\$ 234,130	\$ 235,218	\$ 240,919	\$ 382,900	\$ 354,581	\$ 401,234	\$ 392,365
Covered-employee payroll	\$ 61,397	\$ 55,379	\$ 55,379	\$ 52,262	\$ 52,262	\$ 48,530	\$ 48,530
Total/Net OPEB liability as a % of covered-employee payroll	381.34 %	424.74 %	435.04 %	732.65 %	678.47 %	826.78 %	808.50 %

-The notes to required supplementary information are an integral part of this schedule-

(1) The Commonwealth adopted GASB 75 on a prospective basis for the fiscal year ended June 30, 2018; therefore, only seven years are presented in the above schedule for the Senate. A trust or equivalent arrangement meeting the requirements of GASB 75 has not been established for the Senate OPEB plan, and assets have not been accumulated to fund OPEB.

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Major Funds
 General Fund
 For the Fiscal Year Ended June 30, 2024

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis) ⁽²⁾
REVENUES:					
State Programs:					
Corporation taxes	\$ 7,851,900	\$ 231,200	\$ 8,083,100	\$ (51,013)	\$ 8,032,087
Consumption taxes	15,372,500	121,900	15,494,400	46,085	15,540,485
Other taxes	20,268,300	88,100	20,356,400	(64,203)	20,292,197
TOTAL TAX REVENUE	43,492,700	441,200	43,933,900	(69,131)	43,864,769
Nontax revenue	1,117,900	215,300	1,333,200	275,520	1,608,720
TOTAL REVENUE STATE	44,610,600	656,500	45,267,100	206,389	45,473,489
less: Refunds	(1,436,600)	(550,000)	(1,986,600)	—	(1,986,600)
plus: Departmental services	5,955,571	—	5,955,571	(147,623)	5,807,948
TOTAL STATE PROGRAMS	49,129,571	106,500	49,236,071	58,766	49,294,837
Federal programs	44,600,412	(892,123)	43,708,289	—	43,708,289
TOTAL REVENUES	93,729,983	(785,623)	92,944,360	58,766	93,003,126
EXPENDITURES:					
State programs ⁽¹⁾	50,902,913	(32,544)	50,870,369	(197,623)	50,672,746
Federal programs	44,600,412	(892,123)	43,708,289	—	43,708,289
TOTAL EXPENDITURES	95,503,325	(924,667)	94,578,658	(197,623)	94,381,035
REVENUES OVER/(UNDER) EXPENDITURES	(1,773,342)	139,044	(1,634,298)	256,389	(1,377,909)
OTHER FINANCING SOURCES (USES):					
Current year lapses	—	(50,000)	(50,000)	50,000	—
Prior year lapses	—	426,026	426,026	161,000	587,026
Transfer to Budget Stabilization Reserve Fund	—	—	—	(736,899)	(736,899)
TOTAL OTHER FINANCING SOURCES (USES)	—	376,026	376,026	(525,899)	(149,873)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,773,342)	515,070	(1,258,272)	(269,510)	(1,527,782)
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2023, REVISED	8,084,871	75,000	8,159,871	—	8,159,871
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2024	\$ 6,311,529	\$ 590,070	\$ 6,901,599	\$ (269,510)	\$ 6,632,089

(1) Current year lapse amount in the Actual (Budgetary Basis) column is already netted out of the state expenditure amount.

(2) The reconciliation from the Actual Budgetary Basis to the Statement of Revenues, Expenditures, and Changes in Net Position is included in Note 3 beginning on page 213.

For Supporting Documentation, please go to <https://www.pa.gov/en/agencies/budget>

- 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, 2024

(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	\$ 1,808,300	\$ (24,400)	\$ 1,783,900	\$ (5,879)	\$ 1,778,021
Motor licenses and fees	1,263,100	7,600	1,270,700	12,394	1,283,094
Other Motor License Fund revenues ⁽¹⁾	55,400	43,000	98,400	10,433	108,833
TOTAL REVENUE STATE	3,126,800	26,200	3,153,000	16,948	3,169,948
plus: Departmental services ⁽¹⁾	111,415	—	111,415	(20,294)	91,121
TOTAL STATE PROGRAMS	3,238,215	26,200	3,264,415	(3,346)	3,261,069
Federal programs	2,657,332	—	2,657,332	(772,881)	1,884,451
TOTAL REVENUES	5,895,547	26,200	5,921,747	(776,227)	5,145,520
EXPENDITURES:					
State Programs ⁽²⁾	3,343,856	—	3,343,856	(19,191)	3,324,665
Federal programs	2,657,332	—	2,657,332	(772,881)	1,884,451
TOTAL EXPENDITURES	6,001,188	—	6,001,188	(792,072)	5,209,116
REVENUES OVER (UNDER) EXPENDITURES	(105,641)	26,200	(79,441)	15,845	(63,596)
OTHER FINANCING SOURCES:					
Current year lapses	—	(5,000)	(5,000)	5,000	—
Prior year lapses	—	91,148	91,148	30,011	121,159
TOTAL OTHER FINANCING SOURCES	—	86,148	86,148	35,011	121,159
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(105,641)	112,348	6,707	50,856	57,563
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2023	255,433	—	255,433	—	255,433
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2024	\$ 149,792	\$ 112,348	\$ 262,140	\$ 50,856	\$ 312,996

(1) Act 44 receipts are included in Other **Motor License Fund** Revenues.

(2) Current year lapse amount in the Actual (Budgetary Basis) column is already netted out of the state expenditure amount.

(3) The reconciliation from the Actual Budgetary Basis to the Statement of Revenues, Expenditures, and Changes in Net Position is included in Note 3 starting on page 213.

For Supporting Documentation, please go to <https://www.pa.gov/en/agencies/budget>

- 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 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 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 <https://www.pa.gov/en/agencies/budget> and click on Publications and Reports, followed by Commonwealth Budget.

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. Overestimates of prior year encumbrances and available appropriation balances are lapsed in the subsequent year, and underestimates 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 the 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:

	<u>General Fund (Budgeted)</u>	<u>General Fund Components (Nonbudgeted)</u>	<u>Total</u>	<u>Motor License Fund</u>
Budgetary Basis-				
Revenues and other sources over/(under) expenditures and other uses	\$ (1,527,782)	\$ —	\$ (1,527,782)	\$ 57,563
Adjustments:				
Basis differences				
To adjust revenues, other financing sources and related receivables and unearned revenue	(2,603,718)	—	(2,603,718)	2,471,668
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	3,697,732	—	3,697,732	(2,122,444)
Basis difference adjustments	<u>1,094,014</u>	<u>—</u>	<u>1,094,014</u>	<u>349,224</u>
Perspective differences				
Nonbudgeted statutory funds which are financially reported as part of this fund:				
Revenues	—	984,381	984,381	494
Expenditures	—	187,698	187,698	(315)
Perspective difference adjustments	<u>—</u>	<u>1,172,079</u>	<u>1,172,079</u>	<u>179</u>
Net adjustments	<u>1,094,014</u>	<u>1,172,079</u>	<u>2,266,093</u>	<u>349,403</u>
Modified accrual basis- net change in governmental fund balance .	<u>\$ (433,768)</u>	<u>\$ 1,172,079</u>	<u>\$ 738,311</u>	<u>\$ 406,966</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 the 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 of \$(32,544) in appropriation decreases approved for the fiscal year ended June 30, 2024.

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: <https://www.pa.gov/en/agencies/budget> 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, 2024.

Three legislatively budgeted non-major special revenue funds are reported in the combining special revenue budgetary comparison schedules. These non-major funds are comprised of fewer individual appropriations, and the budgetary comparison schedules are presented at the legal level of budgetary control. The Governor controls spending by using executive authorizations for special revenue funds not controlled by legislatively adopted budgets. More information on the three non-major special revenue funds budgetary compliance is included with the special revenue funds budgetary comparison schedules.

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

Combining Financial Statements

Including
Nonmajor Budgetary Comparison Schedules

Commonwealth of Pennsylvania
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

(Amounts in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS				
Cash	\$ 53,356	\$ —	\$ 7	\$ 53,363
Cash with fiscal agents	1,583	—	—	1,583
Temporary investments	6,083,365	46,136	1,028,793	7,158,294
Long-term investments	3,757,644	—	196,568	3,954,212
Receivables (net):				
Taxes	—	—	33,326	33,326
Accounts	253,012	—	58	253,070
Investment earnings	30,957	482	4,678	36,117
Investment sale proceeds	7,375	—	—	7,375
Lease rentals	177	—	—	177
Due from other funds	159,220	—	62,914	222,134
Due from component units	29,649	106	828	30,583
Due from Federal Government	66,659	—	—	66,659
Advances to other funds	16,500	—	—	16,500
TOTAL ASSETS	\$ 10,459,497	\$ 46,724	\$ 1,327,172	\$ 11,833,393
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 447,107	\$ —	\$ 193,230	\$ 640,337
Investment purchases payable	14,112	—	—	14,112
Securities lending obligations	136,651	—	6,381	143,032
Due to other funds	530,172	—	25,184	555,356
Due to component units	119	—	—	119
Due to pension trust funds	2,953	—	51	3,004
Due to political subdivisions	211,251	—	92,987	304,238
Due to other governments	675	—	15	690
Unearned revenue	115,766	—	—	115,766
Advances from other funds	76,500	—	—	76,500
TOTAL LIABILITIES	1,535,306	—	317,848	1,853,154
Deferred inflows of resources:				
TOTAL DEFERRED INFLOWS OF RESOURCES	176,288	—	—	176,288
Fund balances:				
Restricted	8,572,668	—	—	8,572,668
Committed	188,343	46,724	1,009,324	1,244,391
Unassigned deficit	(13,108)	—	—	(13,108)
TOTAL FUND BALANCES	8,747,903	46,724	1,009,324	9,803,951
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 10,459,497	\$ 46,724	\$ 1,327,172	\$ 11,833,393

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

For the Fiscal Year Ended June 30, 2024

(Amounts in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Taxes	\$ 3,919,340	\$ —	\$ 380,483	\$ 4,299,823
Licenses and fees	1,454,746	—	—	1,454,746
Intergovernmental	601,588	7,731	—	609,319
Charges for sales and services	573,595	—	17,777	591,372
Investment earnings	512,337	2,685	61,404	576,426
Interest on notes and loans	6	—	—	6
Other	258,453	13,642	—	272,095
TOTAL REVENUES	7,320,065	24,058	459,664	7,803,787
EXPENDITURES:				
Current:				
Direction and supportive services	424,013	—	368,947	792,960
Protection of persons and property	1,257,304	—	—	1,257,304
Health and human services	681,869	—	—	681,869
Public education	777,357	—	17,410	794,767
Recreation and cultural enrichment	288,483	—	69,448	357,931
Economic development	720,776	—	278,810	999,586
Transportation	1,642,856	—	440,460	2,083,316
Capital outlay	92,388	—	370,403	462,791
Debt service:				
Principal retirement	—	928,181	—	928,181
Interest and fiscal charges	786	437,841	2,598	441,225
TOTAL EXPENDITURES	5,885,832	1,366,022	1,548,076	8,799,930
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	1,434,233	(1,341,964)	(1,088,412)	(996,143)
OTHER FINANCING SOURCES (USES):				
Bonds issued	—	—	1,335,000	1,335,000
Refunding bonds issued	—	753,250	365	753,615
Premium on bonds/refunding bonds	—	97,921	144,689	242,610
Transfers in	384,672	1,357,469	70,370	1,812,511
Transfers out	(826,758)	—	(70,237)	(896,995)
Payment to refunded bond escrow agent	—	(850,365)	—	(850,365)
Right-to-use and installment purchases	7,942	—	—	7,942
NET OTHER FINANCING SOURCES (USES)	(434,144)	1,358,275	1,480,187	2,404,318
NET CHANGE IN FUND BALANCES	1,000,089	16,311	391,775	1,408,175
FUND BALANCES, July 1, 2023	7,747,814	30,413	617,549	8,395,776
FUND BALANCES, June 30, 2024	\$ 8,747,903	\$ 46,724	\$ 1,009,324	\$ 9,803,951

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

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 the 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 of administering the program. Funds are derived from an annual assessment of 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 the 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 of age or older; the preservation of historical landmarks; vocational rehabilitation services; administrative and regulatory activities of various departmental programs; and miscellaneous Commonwealth activities. This "Other" category is an aggregation of 51 individual special revenue funds.

There are a total of 59 individual special revenue funds; the **Motor License Fund** is reported as a Major Fund in the basic financial statements.

Commonwealth of Pennsylvania
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds

June 30, 2024

(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	\$ 11	\$ 278	\$ —	\$ 31	\$ 371	\$ 38,899	\$ 3,950	\$ 9,816	\$ 53,356
Cash with fiscal agents	—	—	—	—	—	—	—	1,583	1,583
Temporary investments	70,788	4,802	109,015	69,729	432,507	1,189,590	2,211,445	1,995,489	6,083,365
Long-term investments	27,342	—	—	1,160,389	—	1,010,694	—	1,559,219	3,757,644
Receivables (net):									
Accounts	12,436	—	1	—	176,105	—	—	64,470	253,012
Investment earnings	309	20	—	6,426	—	4,959	9,422	9,821	30,957
Investment sale proceeds	—	—	—	2,383	—	—	—	4,992	7,375
Lease rentals	—	—	—	—	—	—	—	177	177
Due from other funds	4	—	10	—	125	115,703	4,203	39,175	159,220
Due from component units	—	—	—	—	—	—	29,649	—	29,649
Due from Federal Government	—	—	—	—	39,450	—	—	27,209	66,659
Advances to other funds	—	—	16,500	—	—	—	—	—	16,500
TOTAL ASSETS	\$ 110,890	\$ 5,100	\$ 125,526	\$ 1,238,958	\$ 648,558	\$ 2,359,845	\$ 2,258,669	\$ 3,711,951	\$ 10,459,497
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued liabilities	\$ 605	\$ 143	\$ 6,386	\$ 4,276	\$ 99,023	\$ 142,275	\$ 40,355	\$ 154,044	\$ 447,107
Investment purchases payable	—	—	—	8,161	—	—	—	5,951	14,112
Securities lending obligations	888	—	—	36,290	—	32,808	—	66,665	136,651
Due to other funds	24	5	89	1	254,044	12,688	148,659	114,662	530,172
Due to component units	—	—	—	—	—	—	—	119	119
Due to pension trust funds	132	12	356	1	6	11	576	1,859	2,953
Due to political subdivisions	—	—	5	—	1,449	53,584	56,144	100,069	211,251
Due to other governments	30	3	78	—	1	3	94	466	675
Unearned revenue	—	1,700	—	—	—	—	81,516	32,550	115,766
Advances from other funds	—	—	—	—	—	—	—	76,500	76,500
TOTAL LIABILITIES	1,679	1,863	6,914	48,729	354,523	241,369	327,344	552,885	1,535,306
Deferred inflows of resources:									
TOTAL DEFERRED INFLOWS OF RESOURCES	—	—	—	—	176,105	—	—	183	176,288
Fund balances:									
Restricted	109,211	3,237	118,612	1,190,229	—	2,118,476	1,931,325	3,101,578	8,572,668
Committed	—	—	—	—	117,930	—	—	70,413	188,343
Unassigned deficit	—	—	—	—	—	—	—	(13,108)	(13,108)
TOTAL FUND BALANCES	109,211	3,237	118,612	1,190,229	117,930	2,118,476	1,931,325	3,158,883	8,747,903
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 110,890	\$ 5,100	\$ 125,526	\$ 1,238,958	\$ 648,558	\$ 2,359,845	\$ 2,258,669	\$ 3,711,951	\$ 10,459,497

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, 2024

(Amounts in thousands)

	Budgeted Funds								Total
	Banking	Milk Marketing	Workmen's Compensation Admin.	Workers' Compensation Security	Tobacco Settlement Fund	Public Transportation Trust	Gaming	Other	
REVENUES:									
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,183,327	\$ 2,103,299	\$ 632,714	\$ 3,919,340
Licenses and fees	10,226	2,673	—	4,955	—	343,877	96,523	996,492	1,454,746
Intergovernmental	—	—	—	—	161,355	55,097	4,771	380,365	601,588
Charges for sales and services	25,944	—	66,300	—	21,394	2,286	—	457,671	573,595
Investment earnings	5,236	221	5,767	85,791	10,038	130,699	88,198	186,387	512,337
Interest on notes and loans	—	—	—	—	—	—	—	6	6
Other	3	—	92	10	236,694	—	—	21,654	258,453
TOTAL REVENUES	41,409	2,894	72,159	90,756	429,481	1,715,286	2,292,791	2,675,289	7,320,065
EXPENDITURES:									
Current:									
Direction and supportive services	6	—	—	—	—	—	423,511	496	424,013
Protection of persons and property	22,262	2,185	—	21,535	—	—	18,745	1,192,577	1,257,304
Health and human services	—	—	73,467	—	509,941	—	12,080	86,381	681,869
Public education	—	—	—	—	—	—	777,119	238	777,357
Recreation and cultural enrichment	—	—	—	—	—	—	10,441	278,042	288,483
Economic development	—	—	459	—	2,791	—	28,406	689,120	720,776
Transportation	—	—	—	—	—	1,595,833	—	47,023	1,642,856
Capital outlay	—	—	620	—	—	6,704	—	85,064	92,388
Interest and fiscal charges	223	—	226	—	—	18	17	302	786
TOTAL EXPENDITURES	22,491	2,185	74,772	21,535	512,732	1,602,555	1,270,319	2,379,243	5,885,832
EXCESS (DEFICIENCY) OF REVENUES									
OVER (UNDER) EXPENDITURES	18,918	709	(2,613)	69,221	(83,251)	112,731	1,022,472	296,046	1,434,233
OTHER FINANCING SOURCES (USES):									
Transfers in	—	—	2,637	—	115,338	121,990	—	144,707	384,672
Transfers out	—	—	—	—	—	—	(507,891)	(318,867)	(826,758)
Leases and installment purchases	—	—	620	—	—	3,230	—	4,092	7,942
NET OTHER FINANCING									
SOURCES (USES)	—	—	3,257	—	115,338	125,220	(507,891)	(170,068)	(434,144)
NET CHANGE IN FUND BALANCES	18,918	709	644	69,221	32,087	237,951	514,581	125,978	1,000,089
FUND BALANCES, JULY 1, 2023	90,293	2,528	117,968	1,121,008	85,843	1,880,525	1,416,744	3,032,905	7,747,814
FUND BALANCES, JUNE 30, 2024	\$ 109,211	\$ 3,237	\$ 118,612	\$ 1,190,229	\$ 117,930	\$ 2,118,476	\$ 1,931,325	\$ 3,158,883	\$ 8,747,903

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Nonmajor Funds
 Special Revenue Fund-Banking
 For the Fiscal Year Ended June 30, 2024

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Licenses and fees	\$ 33,755	\$ (503)	\$ 33,252	\$ 1,267	\$ 34,519
Fines, penalties and interest	800	100	900	601	1,501
Investment earnings	1,200	2,739	3,939	356	4,295
TOTAL REVENUES	35,755	2,336	38,091	2,224	40,315
EXPENDITURES:					
State Programs:					
General Government Operations	23,532	—	23,532	—	23,532
Transfer to Institution Resolution Account	5,000	—	5,000	—	5,000
TOTAL EXPENDITURES	28,532	—	28,532	—	28,532
REVENUES OVER (UNDER) EXPENDITURES	7,223	2,336	9,559	2,224	11,783
OTHER FINANCING SOURCES:					
Prior year lapses	—	13	13	—	13
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	7,223	2,349	9,572	2,224	11,796
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2023	41,362	—	41,362	—	41,362
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2024	\$ 48,585	\$ 2,349	\$ 50,934	\$ 2,224	\$ 53,158

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)	\$ 11,796
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue	1,081
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	6,041
Net adjustments	7,122
Modified accrual basis — net change in governmental fund balance	\$ 18,918

The above revenue adjustments include net revenue accruals/deferrals, amounts to recognize certain pass-through grants, and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass-through grants, and amounts to recognize certain expenditures related to Federal and other grants that are not reported for budgetary reporting purposes.

— The notes on pages 213 to 215 are an integral part of this schedule. —

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Nonmajor Funds
 Special Revenue Fund-Milk Marketing
 For the Fiscal Year Ended June 30, 2024

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Licenses and fees	\$ 2,761	\$ —	\$ 2,761	\$ (119)	\$ 2,642
Fines, penalties and interest	5	—	5	24	29
Investment earnings	71	161	232	(14)	218
TOTAL REVENUES	2,837	161	2,998	(109)	2,889
EXPENDITURES:					
State programs:					
General Operations	2,840	—	2,840	—	2,840
REVENUES OVER (UNDER) EXPENDITURES	(3)	161	158	(109)	49
OTHER FINANCING SOURCES:					
Prior year lapses	—	1,613	1,613	—	1,613
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(3)	1,774	1,771	(109)	1,662
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2023	1,168	—	1,168	—	1,168
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2024	\$ 1,165	\$ 1,774	\$ 2,939	\$ (109)	\$ 2,830

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)	\$ 1,662
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue	(1,608)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	655
Net adjustments	(953)
Modified accrual basis — net change in governmental fund balance	\$ 709

The above revenue adjustments include net revenue accruals/deferrals, amounts to recognize certain pass-through grants, and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass-through grants, and amounts to recognize certain expenditures related to Federal and other grants that are not reported for budgetary reporting purposes.

— The notes on pages 213 to 215 are an integral part of this schedule. —

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Nonmajor Funds
 Special Revenue Fund-Workmen's Compensation Administration
 For the Fiscal Year Ended June 30, 2024

(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	\$ 74,000	\$ (5,400)	\$ 68,600	\$ 1,166	\$ 69,766
Fines, penalties and interest	6	(1)	5	(5)	—
Departmental Services	300	—	300	(4)	296
Miscellaneous	600	(500)	100	(12)	88
TOTAL REVENUES	74,906	(5,901)	69,005	1,145	70,150
EXPENDITURES:					
State programs:					
Administration of Workers' Compensation	76,102	—	76,102	(4)	76,098
REVENUES OVER (UNDER) EXPENDITURES	(1,196)	(5,901)	(7,097)	1,149	(5,948)
OTHER FINANCING SOURCES:					
Prior year lapses	—	856	856	—	856
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(1,196)	(5,045)	(6,241)	1,149	(5,092)
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2023	79,530	—	79,530	—	79,530
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2024	\$ 78,334	\$ (5,045)	\$ 73,289	\$ 1,149	\$ 74,438

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>\$ (5,092)</u>
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue	4,409
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	<u>1,327</u>
Net adjustments	<u>5,736</u>
Modified accrual basis — net change in governmental fund balance	<u>\$ 644</u>

The above revenue adjustments include net revenue accruals/deferrals, amounts to recognize certain pass-through grants, and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass-through grants, and amounts to recognize certain expenditures related to federal and other grants that are not reported for budgetary reporting purposes.

— The notes on pages 213 to 215 are an integral part of this schedule. —

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

Debt Service Funds

**DEBT SERVICE FUNDS
DESCRIPTION
NONMAJOR FUNDS**

Debt service funds account for the accumulation of resources, principally from transfers from other Funds, for the payment of general long-term debt principal and interest.

Pennsylvania Infrastructure Investment Authority Redemption Fund - to account for the payment of principal and interest on bonds issued for loans to local water companies for the repair, construction, extension, and improvement of water supply systems, dams, port facilities, and water control systems. Funding consists of transfers from the **General Fund** and the Pennsylvania Infrastructure Investment Authority and investment earnings.

Capital Debt Fund - to account for the payment of principal and interest related to general obligation bonds issued for capital projects authorized by Capital Budget Acts. Funding consists primarily of transfers from the **General Fund** and the **Motor License Fund**, facility rental, and investment earnings.

Growing Greener Bond Sinking Fund - payments for principal and interest for the Growing Greener Bond Fund are made from this fund. Funding consists of transfers from the Environmental Stewardship Fund.

Water and Sewer Systems Assistance Bond Sinking Fund - payments to redeem or pay interest on bonds issued for the Water and Sewer Systems Assistance Fund are made from this Fund. Funding is requested annually by the Governor and appropriated by the General Assembly.

Water Supply and Wastewater Treatment Sinking Fund - moneys 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, financing of various environmental initiatives, and water and wastewater infrastructure projects related to economic development. Funding consists of transfers from the **General Fund**, Environmental Stewardship Fund, and investment earnings. This other category is an aggregation of 13 individual debt service funds.

There are a total of 18 individual debt service funds; all are reported as nonmajor funds.

Commonwealth of Pennsylvania
Combining Balance Sheet
Nonmajor Governmental Funds
Debt Service Funds

June 30, 2024

(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.....	\$ 37,806	\$ 8,154	\$ 6	\$ 4	\$ —	\$ 166	\$ 46,136
Receivables (net):							
Investment earnings.....	164	318	—	—	—	—	482
Due from component units.....	106	—	—	—	—	—	106
TOTAL ASSETS	<u>\$ 38,076</u>	<u>\$ 8,472</u>	<u>\$ 6</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 166</u>	<u>\$ 46,724</u>
Fund balances:							
Committed.....	38,076	8,472	6	4	—	166	46,724
TOTAL FUND BALANCES	<u>38,076</u>	<u>8,472</u>	<u>6</u>	<u>4</u>	<u>—</u>	<u>166</u>	<u>46,724</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 38,076</u>	<u>\$ 8,472</u>	<u>\$ 6</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 166</u>	<u>\$ 46,724</u>

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, 2024

(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.....	\$ 504	\$ 7,227	\$ —	\$ —	\$ —	\$ —	\$ 7,731
Investment earnings.....	1,689	988	—	—	—	8	2,685
Other.....	13,642	—	—	—	—	—	13,642
TOTAL REVENUES	15,835	8,215	—	—	—	8	24,058
EXPENDITURES:							
Debt service:							
Principal retirement.....	—	918,984	6,127	1,310	1,760	—	928,181
Interest and fiscal charges.....	722	430,718	4,090	1,394	917	—	437,841
TOTAL EXPENDITURES	722	1,349,702	10,217	2,704	2,677	—	1,366,022
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,113	(1,341,487)	(10,217)	(2,704)	(2,677)	8	(1,341,964)
OTHER FINANCING SOURCES (USES):							
Bonds issued.....	—	753,250	—	—	—	—	753,250
Premium on refunding bonds.....	—	97,921	—	—	—	—	97,921
Transfers in.....	—	1,341,871	10,217	2,704	2,677	—	1,357,469
Payment to refunded bond escrow agent.....	—	(850,365)	—	—	—	—	(850,365)
NET OTHER FINANCING SOURCES (USES)	—	1,342,677	10,217	2,704	2,677	—	1,358,275
NET CHANGE IN FUND BALANCES	15,113	1,190	—	—	—	8	16,311
FUND BALANCES, JULY 1, 2023	22,963	7,282	6	4	—	158	30,413
FUND BALANCES, JUNE 30, 2024	\$ 38,076	\$ 8,472	\$ 6	\$ 4	\$ —	\$ 166	\$ 46,724



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

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 into 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 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 the 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, 2024. There are still 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, 2024

(Amounts in thousands)

	Capital Facilities	Keystone Recreation, Park and Conservation	Growing Greener Bond	Water Supply and Wastewater Treatment	Public Transportation Assistance	Total
ASSETS						
Cash	\$ —	\$ 4	\$ —	\$ —	\$ 3	\$ 7
Temporary investments	\$ 890,565	\$ 103,545	\$ 867	\$ 21,170	\$ 12,646	\$ 1,028,793
Long-term investments	—	196,568	—	—	—	196,568
Receivables (net):						
Taxes	—	—	—	—	33,326	33,326
Accounts	—	58	—	—	—	58
Investment earnings	4,076	425	4	92	81	4,678
Due from other funds	41,114	9,127	—	—	12,673	62,914
Due from component units	828	—	—	—	—	828
TOTAL ASSETS	\$ 936,583	\$ 309,727	\$ 871	\$ 21,262	\$ 58,729	\$ 1,327,172
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 184,279	\$ 8,951	\$ —	\$ —	\$ —	\$ 193,230
Securities lending obligations	—	6,381	—	—	—	6,381
Due to other funds	23,661	266	—	—	1,257	25,184
Due to pension trust funds	—	51	—	—	—	51
Due to political subdivisions	79,171	2,426	—	—	11,390	92,987
Due to other governments	—	15	—	—	—	15
TOTAL LIABILITIES	287,111	18,090	—	—	12,647	317,848
Fund balances:						
Committed	649,472	291,637	871	21,262	46,082	1,009,324
TOTAL FUND BALANCES	649,472	291,637	871	21,262	46,082	1,009,324
TOTAL LIABILITIES AND FUND BALANCES	\$ 936,583	\$ 309,727	\$ 871	\$ 21,262	\$ 58,729	\$ 1,327,172

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, 2024

(Amounts in thousands)

	Capital Facilities	Keystone Recreation, Park and Conservation	Growing Greener Bond	Water Supply and Wastewater Treatment	Public Transportation Assistance	Total
REVENUES:						
Taxes	\$ —	\$ 93,765	\$ —	\$ —	\$ 286,718	\$ 380,483
Charges for sales and services	17,777	—	—	—	—	17,777
Investment earnings	41,313	17,480	45	1,102	1,464	61,404
TOTAL REVENUES	59,090	111,245	45	1,102	288,182	459,664
EXPENDITURES:						
Current:						
Direction and supportive services	368,947	—	—	—	—	368,947
Public education	—	17,410	—	—	—	17,410
Recreation and cultural enrichment	—	69,448	—	—	—	69,448
Economic development	278,810	—	—	—	—	278,810
Transportation	177,811	—	—	—	262,649	440,460
Capital outlay	351,938	18,465	—	—	—	370,403
Debt service:						
Interest and fiscal charges	2,571	27	—	—	—	2,598
TOTAL EXPENDITURES	1,180,077	105,350	—	—	262,649	1,548,076
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	(1,120,987)	5,895	45	1,102	25,533	(1,088,412)
OTHER FINANCING SOURCES (USES):						
Bonds issued	1,335,000	—	—	—	—	1,335,000
Refunding bonds issued	365	—	—	—	—	365
Premium on bonds issued	144,689	—	—	—	—	144,689
Transfers in	70,370	—	—	—	—	70,370
Transfers out	(33,922)	(10,232)	—	—	(26,083)	(70,237)
NET OTHER FINANCING SOURCES (USES)	1,516,502	(10,232)	—	—	(26,083)	1,480,187
NET CHANGE IN FUND BALANCES	395,515	(4,337)	45	1,102	(550)	391,775
FUND BALANCES, JULY 1, 2023	253,957	295,974	826	20,160	46,632	617,549
FUND BALANCES, JUNE 30, 2024	\$ 649,472	\$ 291,637	\$ 871	\$ 21,262	\$ 46,082	\$ 1,009,324



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

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 the 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 by fees for services rendered.

Philadelphia Regional Port Authority (PRPA) - The PRPA (a blended component unit) operates a port facility and manages port-related activities to promote commerce and economic development in southeastern Pennsylvania. The PRPA charges rental and other fees to port users and obtains funding from the Primary Government. The PRPA also issues revenue bonds to finance its activities.

Other - to account for enterprise operations, including activities associated with low-interest loans to manufacturers, financial and technical assistance to minority business enterprises, and loans and grants provided to attract industrial, manufacturing, or research and development enterprises to the Commonwealth. This other category is an aggregation of five individual enterprise funds.

There are a total of 16 individual enterprise funds. The following funds are reported as Major Funds in the basic financial statements: **Unemployment Compensation Fund, State Workers' Insurance Fund, State Lottery Fund, State Stores Fund, Tuition Payment Fund** and the **Commonwealth Financing Authority** (a blended component unit).

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Commonwealth of Pennsylvania
Combining Statement of Net Position
Nonmajor Proprietary Funds
Enterprise Funds
June 30, 2024

(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	\$ 341	\$ 50	\$ —	\$ 2	\$ 31,338	\$ 37	\$ 31,768
Cash with fiscal agents	—	—	—	1	—	—	1
Temporary investments	23,979	25,162	35,304	15,963	36,290	14,605	151,303
Receivables (net):							
Accounts	1	—	2	51	4,201	11	4,266
Investment earnings	99	90	148	56	—	65	458
Interest on loans	103	—	681	—	—	63	847
Loans	9,733	—	12,565	—	—	1,278	23,576
Lease rentals	—	—	—	—	14,590	—	14,590
Other	—	—	—	—	1	—	1
Due from other funds	—	—	—	23	23,167	17	23,207
Due from Federal Government	—	—	—	—	5,226	1	5,227
Due from other governments	—	—	—	—	43	—	43
Advances to other funds	—	—	2,176	—	—	—	2,176
Inventory	—	—	—	—	—	4	4
Prepaid expenses	—	—	—	—	1,115	—	1,115
Total current assets	34,256	25,302	50,876	16,096	115,971	16,081	258,582
Noncurrent assets:							
Restricted cash	—	—	—	—	320	—	320
Long-term investments	47,004	149,773	30,467	—	—	—	227,244
Receivables:							
Loans	56,038	—	55,841	—	—	3,510	115,389
Lease rentals	—	—	—	—	108,301	—	108,301
Non-depreciable capital assets:							
Land	—	—	—	—	243,727	—	243,727
Construction in progress	—	—	—	—	24,014	—	24,014
Depreciable or amortizable capital assets:							
Land improvements	—	—	—	—	175,585	—	175,585
Buildings and building improvements	—	—	—	34,781	558,271	—	593,052
Machinery and equipment	—	296	—	6,436	71,824	1,854	80,410
Less: accumulated depreciation and amortization	—	(183)	—	(31,361)	(395,412)	(1,826)	(428,782)
Net depreciable or amortizable capital assets	—	113	—	9,856	410,268	28	420,265
Other assets	—	—	—	—	9,280	—	9,280
Total noncurrent assets	103,042	149,886	86,308	9,856	795,910	3,538	1,148,540
TOTAL ASSETS	\$ 137,298	\$ 175,188	\$ 137,184	\$ 25,952	\$ 911,881	\$ 19,619	\$ 1,407,122

Commonwealth of Pennsylvania
Combining Statement of Net Position
Nonmajor Proprietary Funds
Enterprise Funds
June 30, 2024

(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	\$ —	\$ 1,484	\$ —	\$ 11,451	\$ 4,049	\$ 280	\$ 17,264
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	—	175	—	2,376	11,177	435	14,163
Securities lending obligations	1,526	4,862	989	—	—	—	7,377
Due to other funds	—	9	—	65	14	8	96
Due to pension trust funds	—	20	—	119	57	1	197
Due to political subdivisions	—	—	—	54	—	—	54
Due to other governments	—	4	—	29	—	—	33
Unearned revenue	—	2,057	—	—	1,900	—	3,957
Self-insurance liabilities	—	8	—	41	48	1	98
Compensated absences	—	80	—	249	181	—	510
Other postemployment benefit liability	—	—	—	—	238	—	238
Total current liabilities	1,526	7,215	989	2,933	13,615	445	26,723
Noncurrent liabilities:							
Insurance loss liability	—	166	—	—	—	—	166
Compensated absences	—	392	—	1,215	774	—	2,381
Self-insurance liabilities	—	73	—	364	429	6	872
Other postemployment benefit liability	—	1,547	—	13,521	4,459	191	19,718
Net pension liability	—	3,978	—	27,038	11,767	520	43,303
Other liabilities	—	—	—	—	367	—	367
Total noncurrent liabilities	—	6,156	—	42,138	17,796	717	66,807
TOTAL LIABILITIES	1,526	13,371	989	45,071	31,411	1,162	93,530
DEFERRED INFLOWS OF RESOURCES							
TOTAL DEFERRED INFLOWS OF RESOURCES	—	2,084	—	13,127	125,809	1,387	142,407
NET POSITION							
Net investment in capital assets	—	113	—	9,856	678,009	28	688,006
Restricted for:							
Transportation	—	—	136,195	—	—	—	136,195
Capital projects	—	—	—	—	23,536	—	23,536
Economic development	—	—	—	—	55,312	6,399	61,711
Emergency support	135,772	—	—	—	—	—	135,772
Other purposes	—	161,104	—	—	1,853	10,922	173,879
Unrestricted	—	—	—	(30,651)	—	1	(30,650)
TOTAL NET POSITION (DEFICIT)	\$ 135,772	\$ 161,217	\$ 136,195	\$ (20,795)	\$ 758,710	\$ 17,350	\$ 1,188,449

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, 2024

(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	\$ —	\$ 4,465	\$ 9	\$ 42,573	\$ 15,567	\$ 1,863	\$ 64,477
Interest on loans	1,280	—	1,406	—	—	93	2,779
Other	—	—	—	—	253	83	336
OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS							
	1,280	4,465	1,415	42,573	15,820	2,039	67,592
Provision for uncollectible accounts	3	—	(218)	—	—	(80)	(295)
NET OPERATING REVENUES	1,283	4,465	1,197	42,573	15,820	1,959	67,297
OPERATING EXPENSES:							
Cost of sales and services	600	6,397	11	35,918	15,018	1,380	59,324
Depreciation	—	21	—	624	35,605	7	36,257
Other	—	—	—	—	3,893	—	3,893
TOTAL OPERATING EXPENSES	600	6,418	11	36,542	54,516	1,387	99,474
OPERATING INCOME (LOSS)	683	(1,953)	1,186	6,031	(38,696)	572	(32,177)
NONOPERATING REVENUES (EXPENSES):							
Investment earnings	4,122	10,350	3,303	541	3,411	758	22,485
Grants and other revenues	—	—	—	1,217	6,682	372	8,271
Other expenses	—	—	—	—	(1,079)	—	(1,079)
TOTAL NONOPERATING REVENUES (EXPENSES)	4,122	10,350	3,303	1,758	9,014	1,130	29,677
INCOME (LOSS) BEFORE TRANSFERS	4,805	8,397	4,489	7,789	(29,682)	1,702	(2,500)
TRANSFERS AND CONTRIBUTIONS:							
Capital contributions	—	—	—	—	6,104	—	6,104
Transfers in	—	—	—	—	33,633	1	33,634
TRANSFERS AND CONTRIBUTIONS, NET	—	—	—	—	39,737	1	39,738
CHANGE IN NET POSITION	4,805	8,397	4,489	7,789	10,055	1,703	37,238
TOTAL NET POSITION (DEFICIT), JULY 1, 2023	130,967	152,820	131,706	(28,584)	748,655	15,647	1,151,211
TOTAL NET POSITION (DEFICIT), JUNE 30, 2024	\$ 135,772	\$ 161,217	\$ 136,195	\$ (20,795)	\$ 758,710	\$ 17,350	\$ 1,188,449

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

For the Fiscal Year Ended June 30, 2024

(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	\$ —	\$ —	\$ —	\$ 42,559	\$ 16,643	\$ 1,865	\$ 61,067
Receipts from borrowers for fees and loan repayments	12,850	—	15,676	—	—	282	28,808
Receipt of premiums	—	4,546	—	—	—	—	4,546
Payments to borrowers	(13,051)	—	(1,419)	—	—	(325)	(14,795)
Payments for vendors, employees and other costs	(600)	(7,173)	(11)	(33,953)	(8,664)	(1,964)	(52,365)
Other receipts	—	—	—	—	—	83	83
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(801)	(2,627)	14,246	8,606	7,979	(59)	27,344
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:							
Net advances from (to) other funds	—	—	363	—	—	—	363
Transfers in	—	—	—	—	—	1	1
Grants and other revenues	—	—	—	1,217	97	372	1,686
Bond issuance costs	—	—	—	—	(1,088)	—	(1,088)
Right-to-use lease interest	—	—	—	—	4,148	—	4,148
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	—	—	363	1,217	3,157	373	5,110
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	—	—	—	(1,916)	(26,816)	—	(28,732)
Principal paid on capital financing	—	—	—	—	(11)	—	(11)
Transfers in	—	—	—	—	11,928	—	11,928
Capital contributions	—	—	—	—	6,104	—	6,104
Maintenance payments	—	—	—	—	(8,227)	—	(8,227)
Other income	—	—	—	—	1,100	—	1,100
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	—	—	—	(1,916)	(15,922)	—	(17,838)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchase of investments	(12,421)	(8,947)	(17,902)	(53,289)	(8,361)	(4,363)	(105,283)
Sales and maturities of investments	10,767	5,902	1,012	44,626	8,150	3,324	73,781
Investment earnings	2,642	5,660	2,277	526	3,411	750	15,266
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	988	2,615	(14,613)	(8,137)	3,200	(289)	(16,236)
NET INCREASE (DECREASE) IN CASH	187	(12)	(4)	(230)	(1,586)	25	(1,620)
CASH AT JULY 1, 2023	154	62	4	233	33,244	12	33,709
CASH AT JUNE 30, 2024 (including \$320 in restricted assets)	\$ 341	\$ 50	\$ —	\$ 3	\$ 31,658	\$ 37	\$ 32,089

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

For the Fiscal Year Ended June 30, 2024

(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)	\$ 683	\$ (1,953)	\$ 1,186	\$ 6,031	\$ (38,696)	\$ 572	(32,177)
Depreciation and amortization of capital assets	—	21	—	624	35,605	7	36,257
Amortization of other assets	—	—	—	—	3,893	—	3,893
Provision for uncollectible accounts	(3)	—	218	—	—	80	295
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:							
Accounts receivable	(1)	—	(1)	(14)	—	(4)	(20)
Interest on loans receivable	(3)	—	46	—	—	(4)	39
Loans receivable	(1,477)	—	12,797	—	—	(133)	11,187
Lease rental receivable	—	—	—	—	781	—	781
Due from other funds	—	—	—	5,973	—	7	5,980
Due from other governments	—	—	—	—	6	—	6
Other current and noncurrent assets	—	—	—	—	216	—	216
Deferred outflows	—	694	—	3,933	1,727	221	6,575
Accounts payable and accrued liabilities	—	34	—	640	7,676	90	8,440
Due to other funds	—	(4)	—	(59)	—	(31)	(94)
Due to political subdivisions	—	—	—	(2)	—	—	(2)
Due to other governments	—	—	—	1	—	—	1
Unearned revenue	—	81	—	—	—	—	81
Self-insurance liabilities	—	13	—	(144)	(30)	(5)	(166)
Compensated absences	—	55	—	165	33	—	253
Insurance loss liability	—	(231)	—	—	—	—	(231)
Other postemployment benefit liability	—	(1,137)	—	(6,323)	(1,203)	(143)	(8,806)
Net pension liability	—	(244)	—	(1,592)	(1,449)	(103)	(3,388)
Other current and noncurrent liabilities	—	—	—	—	32	—	32
Deferred inflows	—	42	—	(625)	(612)	(613)	(1,808)
Total Adjustments	(1,484)	(674)	13,060	2,575	46,675	(631)	59,521
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (801)	\$ (2,627)	\$ 14,246	\$ 8,606	\$ 7,979	\$ (59)	\$ 27,344
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:							
Increase (decrease) in fair value of investments during the fiscal year	\$ 1,473	\$ 4,692	\$ 954	\$ —	\$ —	\$ —	7,119
Decrease in investment earnings receivable	7	(2)	71	16	—	8	100
Increase (decrease) in investments from changes in securities lending obligations	(699)	(2,229)	(453)	—	—	—	(3,381)
Disposals of capital assets	—	—	—	—	(288)	—	(288)
Transfers from other funds (accruals)	—	—	—	—	14,804	—	14,804

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

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

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, 2024

(Amounts in thousands)

	Purchasing	Manufacturing	Total
ASSETS			
Current assets:			
Cash	\$ 1,288	\$ 646	\$ 1,934
Temporary investments	3,822	24,912	28,734
Receivables (net):			
Accounts	38	404	442
Investment earnings	13	105	118
Due from other funds	28,713	3,855	32,568
Due from pension trust funds	856	4,365	5,221
Due from component units	131	—	131
Due from political subdivisions	—	150	150
Inventory	66	20,780	20,846
Total current assets	<u>34,927</u>	<u>55,217</u>	<u>90,144</u>
Noncurrent assets:			
Long-term investments	—	24,881	24,881
Depreciable capital assets:			
Land improvements	192	—	192
Buildings and building improvements	153	6,273	6,426
Machinery and equipment	160,318	44,641	204,959
Intangible right-to-use assets	314,584	—	314,584
Less: accumulated depreciation	<u>(171,133)</u>	<u>(36,033)</u>	<u>(207,166)</u>
Net depreciable capital assets	<u>304,114</u>	<u>14,881</u>	<u>318,995</u>
Total noncurrent assets	<u>304,114</u>	<u>39,762</u>	<u>343,876</u>
TOTAL ASSETS	<u>339,041</u>	<u>94,979</u>	<u>434,020</u>
DEFERRED OUTFLOWS OF RESOURCES			
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>8,170</u>	<u>22,662</u>	<u>30,832</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	38,098	7,524	45,622
Securities lending obligations	—	808	808
Due to other funds	4,869	442	5,311
Due to pension trust funds	50	93	143
Due to component units	3	—	3
Due to political subdivisions	—	5	5
Due to other governments	11	20	31
Self-insurance liabilities	92	233	325
Compensated absences	168	375	543
Installment purchase liability	219	136	355
Right-to-use liability	9,169	—	9,169
Total current liabilities	<u>52,679</u>	<u>9,636</u>	<u>62,315</u>
Noncurrent liabilities:			
Compensated absences	822	1,831	2,653
Self-insurance liabilities	812	2,061	2,873
Other postemployment benefit liability	11,925	22,355	34,280
Net pension liability	20,403	40,488	60,891
Installment purchase liability	492	152	644
Right-to-use liability	273,599	—	273,599
Total noncurrent liabilities	<u>308,053</u>	<u>66,887</u>	<u>374,940</u>
TOTAL LIABILITIES	<u>360,732</u>	<u>76,523</u>	<u>437,255</u>
DEFERRED INFLOWS OF RESOURCES			
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>9,309</u>	<u>14,510</u>	<u>23,819</u>
NET POSITION			
Net investment in capital assets	20,635	14,593	35,228
Restricted for:			
Correctional industries and procurement	—	12,015	12,015
Unrestricted	<u>(43,465)</u>	<u>—</u>	<u>(43,465)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (22,830)</u>	<u>\$ 26,608</u>	<u>\$ 3,778</u>

Commonwealth of Pennsylvania
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Proprietary Funds
Internal Service Funds
For the Fiscal Year Ended June 30, 2024

(Amounts in thousands)

	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
OPERATING REVENUES:			
Sales and services	54,098	92,264	146,362
NET OPERATING REVENUES	<u>54,098</u>	<u>92,264</u>	<u>146,362</u>
OPERATING EXPENSES:			
Cost of sales and services	2,090	82,934	85,024
Depreciation	31,412	2,227	33,639
TOTAL OPERATING EXPENSES	<u>33,502</u>	<u>85,161</u>	<u>118,663</u>
OPERATING INCOME	<u>20,596</u>	<u>7,103</u>	<u>27,699</u>
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	543	2,749	3,292
Interest expense	(5,090)	(11)	(5,101)
Grants and other revenues	25	—	25
Other expenses	—	(1)	(1)
TOTAL NONOPERATING REVENUES (EXPENSES), NET	<u>(4,522)</u>	<u>2,737</u>	<u>(1,785)</u>
CHANGE IN NET POSITION	16,074	9,840	25,914
TOTAL NET POSITION (DEFICIT), JULY 1, 2023	<u>(38,904)</u>	<u>16,768</u>	<u>(22,136)</u>
TOTAL NET POSITION (DEFICIT), JUNE 30, 2024	<u>\$ (22,830)</u>	<u>\$ 26,608</u>	<u>\$ 3,778</u>

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

For the Fiscal Year Ended June 30, 2024

(Amounts in thousands)

	Purchasing	Manufacturing	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 69,886	\$ 90,101	\$ 159,987
Payments for vendors, employees and other costs	(44,523)	(82,753)	(127,276)
Other receipts	204	—	204
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,567	7,348	32,915
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Grants and other revenues	25	1	26
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	25	1	26
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(25,445)	(1,021)	(26,466)
Proceeds from disposal of capital assets	9,114	—	9,114
Principal paid on capital financing	(9,007)	288	(8,719)
Interest paid on capital financing	(5,090)	(11)	(5,101)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(30,428)	(744)	(31,172)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(241,943)	(64,947)	(306,890)
Sales and maturities of investments	246,192	56,514	302,706
Investment earnings	562	1,932	2,494
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	4,811	(6,501)	(1,690)
NET DECREASE IN CASH	(25)	104	79
CASH AT JULY 1, 2023	1,313	542	1,855
CASH AT JUNE 30, 2024	\$ 1,288	\$ 646	\$ 1,934
RECONCILIATION OF OPERATING LOSS TO NET			
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating Income	\$ 20,596	\$ 7,103	\$ 27,699
Depreciation and amortization of capital assets	31,412	2,227	33,639
Other adjustments	(9,114)	—	(9,114)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:			
Accounts receivable	(29)	43	14
Due from other funds	5,334	(659)	4,675
Due from pension trust funds	(812)	605	(207)
Due from component units	(58)	1	(57)
Due from political subdivisions	—	(83)	(83)
Inventory	15	2,593	2,608
Deferred outflows	3,105	(4,663)	(1,558)
Accounts payable and accrued liabilities	(19,428)	896	(18,532)
Due to other funds	261	(3)	258
Due to pension trust funds	(2)	(5)	(7)
Due to political subdivisions	—	1	1
Due to other governments	1	—	1
Self insurance liabilities	(62)	(152)	(214)
Compensated absences	53	(68)	(15)
Other postemployment benefit liability	(4,407)	2,444	(1,963)
Net pension liability	(1,261)	(5,341)	(6,602)
Deferred inflows	(37)	2,409	2,372
Total Adjustments	4,971	245	5,216
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 25,567	\$ 7,348	\$ 32,915
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Decrease in fair value of investments during the fiscal year	\$ —	\$ 779	\$ 779
Decrease in investment earnings receivable	(20)	39	19
Decrease in investments from changes in securities lending obligations	—	(370)	(370)
Disposals of capital assets	—	(535)	(535)

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

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Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

Pension (and Other Employee Benefit) Trust Funds

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS DESCRIPTION

Pension (and other employee benefit) trust funds account for assets that are required to be held in trust for the members and beneficiaries of defined benefit pension plans and other postemployment benefit plans and are held by the Commonwealth in a trustee capacity.

PENSION TRUST FUNDS

State Employees' Retirement System (SERS) - Pension - a defined benefit pension trust fund administered by the SERS that provides retirement, disability, and death benefits to members of the SERS and their beneficiaries.

State Employees' Retirement System - Defined Contribution - a defined contribution pension trust fund established by Act 5 of 2017 and administered by the SERS to provide defined contribution retirement benefits to new members of the SERS effective January 1, 2019.

Deferred Compensation Fund - a pension trust fund administered by the SERS that collects and administers amounts contributed by Commonwealth employees who defer a portion of their income until future years, in accordance with Internal Revenue Code Section 457.

Public School Employees' Retirement System (PSERS) - Pension - a defined benefit pension trust fund administered by the PSERS that provides pension benefits to public school employees in Pennsylvania.

Public School Employees' Retirement System - Defined Contribution - a defined contribution pension trust fund established by Act 5 of 2017 and administered by the PSERS to provide defined contribution retirement benefits to new public school employees effective July 1, 2019.

OTHER EMPLOYEE BENEFIT TRUST FUNDS

Public School Employees' Retirement System - Postemployment Healthcare - an employee benefit trust fund administered by the PSERS that provides healthcare, disability, and death benefits to members and their beneficiaries.

Other Postemployment Benefits (REHP) - an employee benefit trust fund that holds and invests amounts contributed by the Commonwealth of Pennsylvania for the sole purpose of providing postemployment healthcare benefits to retired employees.

Other Postemployment Benefits (RPSPP) - an employee benefit trust fund that holds and invests amounts contributed by the Commonwealth of Pennsylvania for the sole purpose of providing postemployment healthcare benefits to retired Pennsylvania State Police.

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Commonwealth of Pennsylvania
Combining Statement of Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds
June 30, 2024

(Amount in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2023)			Public School Employees' Retirement System			Other Postemployment Benefits		Total
	Pension	Defined Contribution	Deferred Compensation	Pension	Defined Contribution	Postemployment Healthcare	Retired	Retired	
							Employees Health Program	Pennsylvania State Police Program	
ASSETS									
Cash	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 356,653	\$ 67	\$ 12	\$ 356,732
Temporary investments	—	—	—	—	—	—	224,714	39,654	264,368
Long-term investments	—	220	166,177	—	—	—	931,505	164,379	1,262,281
Short-term funds	950,520	9,608	124,634	6,572,484	13,713	210,837	—	—	7,881,796
Corporate obligations	1,221,523	—	—	1,777,152	—	—	—	—	2,998,675
Collective trust funds	6,922,025	181,370	4,196,848	5,848,173	342,535	—	—	—	17,490,951
Real estate	2,252,630	—	—	8,146,596	—	—	—	—	10,399,226
Alternative	8,073,030	—	—	18,436,145	—	—	—	—	26,509,175
Securities lending collateral	156,887	—	—	—	—	—	—	—	156,887
Asset-backed securities	373,911	—	—	347,993	—	—	—	—	721,904
Domestic equities	11,934,983	—	—	13,767,270	—	—	—	—	25,702,253
International equities	971,494	—	—	8,164,642	—	—	—	—	9,136,136
International public debt securities	123,479	—	—	336,531	—	—	—	—	460,010
Mortgage-backed securities	—	—	—	364,770	—	—	—	—	364,770
Private placements	115,982	—	—	—	—	—	—	—	115,982
U.S. Treasury obligations	3,618,955	—	—	11,810,875	—	—	—	—	15,429,830
U.S. government agency debt securities	38,157	—	—	—	—	—	—	—	38,157
Receivables (net):									
Investment earnings	64,868	41	1,344	320,934	23	1,680	10,317	1,821	401,028
Pension contributions	—	217	148	1,805,077	1,342	28,777	—	—	1,835,561
Investment sale proceeds	572,147	57	—	326,159	—	—	—	—	898,363
Other	—	82	56	52	—	50,699	—	—	50,889
Due from other funds	6,265	—	—	18,813	—	167	—	—	25,245
Due from pension trust funds	—	—	—	3,966	—	—	—	—	3,966
Due from component units	2,984	—	—	—	—	—	—	—	2,984
Due from political subdivisions	3,868	—	—	—	—	—	—	—	3,868
Due from other governments	—	—	—	—	—	8,411	—	—	8,411
Depreciable or amortizable capital assets:									
Machinery and equipment	—	—	—	13,324	—	—	—	—	13,324
Intangible right-to-use assets	—	—	—	68,515	—	—	—	—	68,515
Other intangible assets	—	—	—	45,264	—	—	—	—	45,264
Less: accumulated depreciation and amortization	—	—	—	(72,272)	—	—	—	—	(72,272)
Net depreciable or amortizable capital assets	—	—	—	54,831	—	—	—	—	54,831
Other assets	26,170	2,232	1,275	—	—	—	—	—	29,677
TOTAL ASSETS	37,429,878	193,827	4,490,482	78,102,463	357,613	657,224	1,166,603	205,866	122,603,956
DEFERRED OUTFLOWS OF RESOURCES									
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ —	\$ —	\$ —	\$ 33,650	\$ —	\$ —	\$ —	\$ —	\$ 33,650

Commonwealth of Pennsylvania

Combining Statement of Fiduciary Net Position

Pension (and Other Employee Benefit) Trust Funds

June 30, 2024

(Amount in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2023)			Public School Employees' Retirement System			Other Postemployment Benefits		Total
	Pension	Defined	Deferred	Pension	Defined	Postemployment	Retired Employees Health Program	Retired Pennsylvania State Police Program	
		Contribution	Compensation		Contribution	Healthcare			
LIABILITIES									
Accounts payable and accrued liabilities	\$ 49,058	\$ 1,155	\$ 1,244	\$ 89,145	\$ 114	\$ 5,972	\$ 27,116	\$ 9,364	\$ 183,168
Investment purchases payable	754,283	75	2,550	567,751	483	—	—	—	1,325,142
Securities lending obligations	156,887	—	—	—	—	—	224,714	39,654	421,255
Due to other funds	—	—	—	563	—	—	—	—	563
Due to pension trust funds	—	—	—	1,056	696	2,974	—	—	4,726
Interest payable	—	—	—	41	—	—	—	—	41
Other postemployment benefit liability	17,009	1,524	—	30,254	—	—	—	—	48,787
Net pension liability	—	—	—	91,488	—	—	—	—	91,488
Right-to-use liability	—	—	—	46,877	—	—	—	—	46,877
Other liabilities	27,714	1,638	1,787	789,804	—	125,501	—	—	946,444
TOTAL LIABILITIES	1,004,951	4,392	5,581	1,616,979	1,293	134,447	251,830	49,018	3,068,491
TOTAL DEFERRED INFLOWS OF RESOURCES	—	—	—	26,140	—	—	—	—	26,140
NET POSITION									
Restricted and held in trust for:									
Pension benefits	36,424,927	189,435	—	76,492,994	356,320	—	—	—	113,463,676
Postemployment healthcare benefits	—	—	—	—	—	522,777	914,773	156,848	1,594,398
Employee salary deferrals	—	—	4,484,901	—	—	—	—	—	4,484,901
TOTAL NET POSITION	\$ 36,424,927	\$ 189,435	\$ 4,484,901	\$ 76,492,994	\$ 356,320	\$ 522,777	\$ 914,773	\$ 156,848	\$ 119,542,975

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, 2024

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2023)			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	\$ 2,198,430	\$ 23,458	\$ —	\$ 5,262,714	\$ 53,796	\$ 191,481	\$ 439,658	\$ 182,357	\$ 8,351,894
Employee	427,368	42,902	171,746	1,197,871	69,748	421,491	—	—	2,331,126
Transfer in from other plans	—	1,696	53,561	—	—	—	50,000	1,000	106,257
Total contributions	<u>2,625,798</u>	<u>68,056</u>	<u>225,307</u>	<u>6,460,585</u>	<u>123,544</u>	<u>612,972</u>	<u>489,658</u>	<u>183,357</u>	<u>10,789,277</u>
Investment earnings:									
Net increase/(decrease) in									
fair value of investments	3,909,608	24,825	613,027	4,312,722	44,304	—	92,926	16,575	9,013,987
Interest income	192,834	398	16,786	898,799	248	23,404	361	62	1,132,892
Dividend income	200,010	—	—	502,176	386	—	21,300	3,635	727,507
Rental and other income	1,687	—	—	397,198	—	—	201	34	399,120
Total investment activity income (loss)	<u>4,304,139</u>	<u>25,223</u>	<u>629,813</u>	<u>6,110,895</u>	<u>44,938</u>	<u>23,404</u>	<u>114,788</u>	<u>20,306</u>	<u>11,273,506</u>
Less: investment expenses									
Investment activity expense	(179,977)	(85)	(1,479)	(410,354)	(523)	(93)	—	—	(592,511)
Net investment earnings (loss)	<u>4,124,162</u>	<u>25,138</u>	<u>628,334</u>	<u>5,700,541</u>	<u>44,415</u>	<u>23,311</u>	<u>114,788</u>	<u>20,306</u>	<u>10,680,995</u>
Securities lending activities:									
Income	2,995	—	—	90,050	—	—	—	—	93,045
Expenses	(299)	—	—	(86,320)	—	—	—	—	(86,619)
Total securities lending income	<u>2,696</u>	<u>—</u>	<u>—</u>	<u>3,730</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,426</u>
Total net investment earnings	<u>4,126,858</u>	<u>25,138</u>	<u>628,334</u>	<u>5,704,271</u>	<u>44,415</u>	<u>23,311</u>	<u>114,788</u>	<u>20,306</u>	<u>10,687,421</u>
TOTAL ADDITIONS	<u>6,752,656</u>	<u>93,194</u>	<u>853,641</u>	<u>12,164,856</u>	<u>167,959</u>	<u>636,283</u>	<u>604,446</u>	<u>203,663</u>	<u>21,476,698</u>
DEDUCTIONS:									
Benefit payments	3,883,225	—	124,009	7,683,019	—	599,634	432,575	180,508	12,902,970
Refunds of contributions	27,553	—	—	45,726	—	—	—	—	73,279
Transfers to other plans	—	1,802	233,467	—	—	—	—	—	235,269
Administrative expenses	24,158	4,968	1,551	55,447	3,538	41,602	9,956	1,621	142,841
Other expenses	—	—	5,332	—	—	—	—	—	5,332
Distributions to participants	—	2,780	—	—	9,982	—	—	—	12,762
TOTAL DEDUCTIONS	<u>3,934,936</u>	<u>9,550</u>	<u>364,359</u>	<u>7,784,192</u>	<u>13,520</u>	<u>641,236</u>	<u>442,531</u>	<u>182,129</u>	<u>13,372,453</u>
CHANGE IN PLAN NET POSITION HELD IN TRUST FOR:									
Pension benefits	2,817,720	83,644	—	4,380,664	154,439	—	—	—	7,436,467
Postemployment healthcare benefits	—	—	—	—	—	(4,953)	161,915	21,534	178,496
Employee salary deferrals	—	—	489,282	—	—	—	—	—	489,282
TOTAL CHANGE IN PLAN NET POSITION HELD IN TRUST	<u>2,817,720</u>	<u>83,644</u>	<u>489,282</u>	<u>4,380,664</u>	<u>154,439</u>	<u>(4,953)</u>	<u>161,915</u>	<u>21,534</u>	<u>8,104,245</u>
NET POSITION, JULY 1, 2023	<u>33,607,207</u>	<u>105,791</u>	<u>3,995,619</u>	<u>72,112,330</u>	<u>201,881</u>	<u>527,730</u>	<u>752,858</u>	<u>135,314</u>	<u>111,438,730</u>
NET POSITION, JUNE 30, 2024	<u>\$ 36,424,927</u>	<u>\$ 189,435</u>	<u>\$ 4,484,901</u>	<u>\$ 76,492,994</u>	<u>\$ 356,320</u>	<u>\$ 522,777</u>	<u>\$ 914,773</u>	<u>\$ 156,848</u>	<u>\$ 119,542,975</u>



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

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, 2024

(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	\$ —	\$ 166	\$ 3,286	\$ 7,260	\$ 90	\$ —	\$ —	\$ 13,789	\$ 24,591
Cash with fiscal agents	14,869	—	—	—	—	—	—	—	14,869
Temporary investments	15,732	34,589	16,023	—	21,647	1,267	1,535	33,391	124,184
Long-term investments	362,530	—	—	5,396,704	—	—	46,062	—	5,805,296
Receivables (net):									
Taxes	—	24,088	—	—	14,322	39,912	—	—	78,322
Accounts	738,838	118	—	505	52	—	—	4,284	743,797
Investment earnings	37	85	77	—	53	4	—	—	256
Investment sale proceeds	1,659	—	—	—	—	—	—	—	1,659
Other assets	566,182	—	—	—	—	—	—	526	566,708
TOTAL ASSETS	1,699,847	59,046	19,386	5,404,469	36,164	41,183	47,597	51,990	7,359,682
LIABILITIES									
Accounts payable and accrued liabilities	5,885	447	—	2,636	579	43	623	27,513	37,726
Investment purchases payable	—	—	—	889	—	—	—	—	889
Securities lending obligations	—	—	—	—	—	—	1,495	—	1,495
Due to political subdivisions	—	58,599	19,386	—	35,585	41,140	34	—	154,744
Other liabilities	5,825	—	—	—	—	—	—	—	5,825
TOTAL LIABILITIES	11,710	59,046	19,386	3,525	36,164	41,183	2,152	27,513	200,679
NET POSITION									
Restricted for:									
Tuition Account Investment Program participants	—	—	—	5,400,944	—	—	—	—	5,400,944
Beneficiaries	1,688,137	—	—	—	—	—	45,445	24,477	1,758,059
TOTAL NET POSITION	\$ 1,688,137	\$ —	\$ —	\$ 5,400,944	\$ —	\$ —	\$ 45,445	\$ 24,477	\$ 7,159,003

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

For the Fiscal Year Ended June 30, 2024

(Amounts in thousands)

	Statutory Liquidator	Local Sales and Use Tax	PA Intergovernmental Cooperation Authority Tax	Tuition Account Investment Program	Allegheny Regional Asset District Sales and Use Tax	Local Cigarette Tax	Monetary Penalty Endowment	Custodial Accounts	Total Custodial Funds
ADDITIONS:									
Investment earnings:									
Net decrease in fair value of investments	\$ 935	\$ —	\$ —	\$ 451,745	\$ —	\$ —	\$ —	\$ —	\$ 452,680
Interest earnings	15,512	1,173	960	146,409	714	235	2,890	1,168	169,061
Total investment activity earnings	16,447	1,173	960	598,154	714	235	2,890	1,168	621,741
Less investment expenses:									
Investment activity expense	(1,099)	—	—	—	—	—	—	—	(1,099)
Net investment earnings	15,348	1,173	960	598,154	714	235	2,890	1,168	620,642
Total net investment earnings	15,348	1,173	960	598,154	714	235	2,890	1,168	620,642
Share transactions (net asset value of \$1.00 per share):									
Shares purchased/redeemed (net)	—	—	—	181,816	—	—	—	—	181,816
Net increase in net position from share transactions ..	—	—	—	181,816	—	—	—	—	181,816
Tax collections for other governments	—	419,361	711,651	—	254,660	57,999	—	—	1,443,671
Member resources	—	—	—	—	—	—	—	115,215	115,215
Other additions	116,132	—	—	—	—	—	—	8,173	124,305
TOTAL ADDITIONS	131,480	420,534	712,611	779,970	255,374	58,234	2,890	124,556	2,485,649
DEDUCTIONS:									
Administrative expenses	17,036	—	—	8,134	—	—	—	4,118	29,288
Payments of taxes to other governments	—	420,534	712,611	—	255,374	58,234	—	—	1,446,753
Member/claimant distributions	—	—	—	—	—	—	—	115,170	115,170
Other expenses	—	—	—	—	—	—	2,779	4,300	7,079
TOTAL DEDUCTIONS	17,036	420,534	712,611	8,134	255,374	58,234	2,779	123,588	1,598,290
CHANGE IN FIDUCIARY NET POSITION:									
Tuition Account Investment Program participants	—	—	—	771,836	—	—	—	—	771,836
Beneficiaries	114,444	—	—	—	—	—	111	968	115,523
TOTAL CHANGE IN FIDUCIARY NET POSITION	114,444	—	—	771,836	—	—	111	968	887,359
NET POSITION, JULY 1, 2023	1,573,693	—	—	4,629,108	—	—	45,334	23,509	6,271,644
NET POSITION, JUNE 30, 2024	\$ 1,688,137	\$ —	\$ —	\$ 5,400,944	\$ —	\$ —	\$ 45,445	\$ 24,477	\$ 7,159,003



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

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 or loan payments from the schools.

Philadelphia Shipyard Development Corporation - assists the primary government (PG) and other governmental entities in financing a shipbuilding facility at the former Philadelphia Naval Shipyard. The Philadelphia Shipyard Development Corporation has a December 31, 2021 fiscal year-end.

Ben Franklin Technology Development Authority - promotes economic development through the 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 a 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 with greater access to more affordable healthcare. The PHIEA has a December 31, 2021 fiscal year-end.

Other - to account for activities of the Pennsylvania Higher Educational Facilities Authority, whose purpose is to facilitate debt issuances for the construction of public and private colleges and universities and the Pennsylvania Broadband Development Authority, whose purpose is to provide broadband internet access to unserved and underserved residents.

There are a total of 17 discretely presented component units (DPCU). The **Pennsylvania Turnpike Commission**, **Pennsylvania Housing Finance Agency**, **Pennsylvania Higher Education Assistance Agency**, **Pennsylvania Infrastructure Investment Authority**, and **State System of Higher Education** are reported as major DPCU's. The Pennsylvania Economic Development Financing Authority is not reported because the only activities for this component unit involve conduit debt.

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Commonwealth of Pennsylvania
Combining Statement of Net Position
 Nonmajor Discretely Presented Component Units
 June 30, 2024

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyard Development Corporation (Dec. 31, 2023)	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, 2023)	Other	Total
ASSETS											
Current assets:											
Cash	\$ —	\$ 550	\$ —	\$ —	\$ —	\$ 23,395	\$ 1,676	\$ —	\$ —	\$ —	\$ 25,621
Cash with fiscal agents	—	—	—	—	302	—	—	—	—	—	302
Temporary investments	9,154	—	15,586	382	236,543	75,476	1,454	159	81,661	—	420,415
Receivables (net):											
Accounts	—	—	—	2	99	14,767	171	—	4,197	34	19,270
Investment earnings	119	—	68	—	—	—	—	—	—	—	187
Interest on notes and loans	31	—	—	—	2,608	—	—	—	—	—	2,639
Loans	2,880	—	—	—	30,974	—	—	—	—	—	33,854
Lease rentals	—	140	—	—	—	131	—	—	—	—	271
Other	34	—	—	—	—	—	524	—	—	—	558
Due from primary government	—	—	—	2,162	—	—	—	—	—	—	2,162
Due from Federal Government	—	—	—	—	—	—	—	—	5,216	210	5,426
Inventory	—	—	—	—	—	—	1,038	—	—	—	1,038
Prepaid and deferred expenses	—	14	—	—	—	1,180	162	—	—	—	1,356
Total current assets	12,218	704	15,654	2,546	270,526	114,949	5,025	159	91,074	244	513,099
Noncurrent assets:											
Restricted cash	—	—	—	—	—	—	1,153	—	—	—	1,153
Long-term investments	13,750	—	—	—	—	—	7,296	2,897	—	—	23,943
Receivables (net):											
Loans	7,124	—	55,083	—	232,344	—	—	—	—	—	294,551
Lease rentals	—	3,545	—	—	—	1,994	—	—	—	—	5,539
Non-depreciable capital assets:											
Land	—	161	—	—	—	3,029	—	—	—	—	3,190
Construction in progress	—	—	—	—	—	14,132	3,689	—	—	—	17,821
Depreciable or amortizable capital assets:											
Land improvements	—	—	—	—	—	—	13,164	—	—	—	13,164
Buildings and building improvements	—	—	—	—	—	831,318	4,466	—	—	—	835,784
Machinery and equipment	34	—	—	75	—	233,593	14,743	—	—	—	248,445
Library books	—	—	—	—	—	—	394	—	—	—	394
Other capital assets	—	2	—	—	—	—	—	—	—	—	2
Intangible right-to-use assets	—	—	—	—	—	—	17,748	—	—	—	17,748
Other intangible assets	—	—	—	—	—	—	1,888	—	—	—	1,888
Less: accumulated depreciation and amortization	(34)	—	—	(65)	—	(566,484)	(21,673)	—	—	—	(588,256)
Net depreciable or amortizable capital assets	—	2	—	10	—	498,427	30,730	—	—	—	529,169
Other assets	—	260	—	—	—	3,777	2,339	—	—	—	6,376
Total noncurrent assets	20,874	3,968	55,083	10	232,344	521,359	45,207	2,897	—	—	881,742
TOTAL ASSETS	33,092	4,672	70,737	2,556	502,870	636,308	50,232	3,056	91,074	244	1,394,841

Commonwealth of Pennsylvania
Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2024

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyard Development Corporation (Dec. 31, 2023)	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, 2023)	Other	Total
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 444	\$ —	\$ 428	\$ 751	\$ 370	\$ 1,507	\$ 10,638	\$ 62	\$ 8,365	\$ —	\$ 22,565
LIABILITIES											
Current liabilities:											
Accounts payable and accrued liabilities	\$ 37	\$ —	\$ 6	\$ 88	\$ 1,189	\$ 15,878	\$ 3,053	\$ 7	\$ 10,325	\$ 244	\$ 30,827
Securities lending obligations	—	—	—	—	812	—	—	94	—	—	906
Due to primary government	—	—	—	13	3	29,649	—	1	—	—	29,666
Due to other governments	—	—	—	—	1	—	—	—	—	—	1
Interest payable	—	—	—	—	245	—	—	—	—	—	245
Unearned revenue	—	77	—	—	—	7,764	274	—	—	—	8,115
Revenue bonds payable	—	—	—	—	13,780	—	—	—	—	—	13,780
Compensated absences	43	—	—	—	—	—	765	—	95	—	903
Other financing obligations	—	—	—	—	—	1,655	178	—	—	—	1,833
Other postemployment benefit liability	—	—	—	—	—	(202)	1,346	—	—	—	1,144
Right-to-use liability	—	—	—	—	—	—	1,622	—	—	—	1,622
Other liabilities	2	—	—	—	—	—	—	—	—	—	2
Total current liabilities	82	77	6	101	16,030	54,744	7,238	102	10,420	244	89,044
Noncurrent liabilities:											
Other financing obligations	—	—	—	—	—	8,987	1,696	—	—	—	10,683
Compensated absences	173	—	—	160	—	—	2,190	—	257	—	2,780
Other postemployment benefit liability	356	—	319	426	562	3,787	14,679	35	3,995	—	24,159
Net pension liability	1,251	—	1,045	1,253	1,060	4,965	22,695	97	9,157	—	41,523
Right-to-use liability	—	—	—	—	—	—	13,628	—	—	—	13,628
Other liabilities	9	260	—	—	—	—	58	—	—	—	327
Total noncurrent liabilities	1,789	260	1,364	1,839	1,622	17,739	54,946	132	13,409	—	93,100
TOTAL LIABILITIES	1,871	337	1,370	1,940	17,652	72,483	62,184	234	23,829	244	182,144
TOTAL DEFERRED INFLOWS OF RESOURCES	1,502	3,455	282	325	413	2,694	13,585	102	2,574	—	24,932
NET POSITION											
Net investment in capital assets	—	163	—	10	—	515,588	17,295	—	—	—	533,056
Restricted for:											
Health-related programs	—	—	—	—	—	—	—	—	73,036	—	73,036
Debt service	—	—	—	—	24,039	—	—	—	—	—	24,039
Economic development	—	717	69,513	1,032	—	47,050	—	2,782	—	—	121,094
Other purposes	30,163	—	—	—	—	—	—	—	—	—	30,163
Unrestricted	—	—	—	—	461,136	—	(32,194)	—	—	—	428,942
TOTAL NET POSITION (DEFICIT)	\$ 30,163	\$ 880	\$ 69,513	\$ 1,042	\$ 485,175	\$ 562,638	\$ (14,899)	\$ 2,782	\$ 73,036	\$ —	\$ 1,210,330

Commonwealth of Pennsylvania
Combining Statement of Activities
Nonmajor Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2024

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyards Development Corporation (Dec. 31, 2023)	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, 2023)	Other	Total
Expenses	\$ 253	\$ 227	\$ 15,614	\$ 3,392	\$ 1,070	\$ 115,631	\$ 41,956	\$ 735	\$ 87,800	\$ 4,869	\$ 271,547
Program revenues:											
Charges for goods and services	781	275	85	—	6,446	26,618	17,707	—	80,638	543	133,093
Operating grants and contributions	520	20	18,059	3,391	12,149	56,402	25,812	213	22,122	4,326	143,014
Capital grants and contributions	—	169	—	—	—	25,500	—	—	—	—	25,669
TOTAL PROGRAM REVENUES	1,301	464	18,144	3,391	18,595	108,520	43,519	213	102,760	4,869	301,776
CHANGE IN NET POSITION	1,048	237	2,530	(1)	17,525	(7,111)	1,563	(522)	14,960	—	30,229
TOTAL NET POSITION (DEFICIT), JUNE 30, 2023, previously reported	29,115	643	66,983	1,043	467,650	569,749	(16,336)	3,304	58,076	—	1,180,227
PRIOR PERIOD RESTATEMENT	—	—	—	—	—	—	(126)	—	—	—	(126)
TOTAL NET POSITION (DEFICIT), JUNE 30, 2023 (restated)	29,115	643	66,983	1,043	467,650	569,749	(16,462)	3,304	58,076	—	1,180,101
TOTAL NET POSITION (DEFICIT), JUNE 30, 2024	\$ 30,163	\$ 880	\$ 69,513	\$ 1,042	\$ 485,175	\$ 562,638	\$ (14,899)	\$ 2,782	\$ 73,036	\$ —	\$ 1,210,330



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

Statistical Section

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Commonwealth of Pennsylvania

Financial Trends

Table 1

Net Position by Component

Last Ten Fiscal Years as of June 30

(Accrual basis of accounting—amounts in thousands)

	2015 (1)(2)	2016	2017 (3)	2018 (4)	2019	2020 (5)	2021 (8)	2022	2023 (9)	2024
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 29,177,938	\$ 30,524,584	\$ 31,540,865	\$ 32,975,535	\$ 34,261,559	\$ 34,888,556	\$ 36,091,419	\$ 36,402,101	\$ 37,541,183	\$ 38,957,153
Restricted for:										
General government operations	35	47	75	197	217,571	205,566	143,211	—	631	987
Health-related programs	15,412	14,294	13,918	13,133	18,033	33,797	44,623	84,711	120,344	122,343
Transportation	481,202	599,545	724,063	920,443	1,209,807	1,330,256	1,617,159	1,924,507	2,198,978	2,480,029
Unemployment/workers' compensation	405,823	468,215	529,416	522,065	655,581	705,073	862,490	831,812	912,732	978,747
Environmental and conservation programs	365,837	318,622	370,188	283,430	308,401	335,978	342,373	351,465	736,597	778,843
Economic development	—	—	6,862	5,619	2,907	3,324	4,649	15,059	9,972	9,989
Gaming licensing/regulation	502,589	426,436	400,131	136,002	141,125	—	386,336	893,432	1,025,494	1,540,819
Correctional industries and procurement	5,498	6,284	26,422	—	—	—	—	—	680	12,015
Emergency support	55,044	65,361	93,002	92,680	110,587	106,856	97,227	107,115	109,342	101,739
Beneficiaries (6)	—	—	—	—	—	473,729	479,986	504,060	615,684	713,875
Human services (7)	—	—	—	—	—	—	264,167	341,133	231,002	235,271
Public protection (7)	—	—	—	—	—	—	8,450	48,800	41,429	64,709
Other purposes	24,019	18,528	—	—	—	—	—	—	—	—
Unrestricted	(17,846,863)	(19,407,921)	(21,275,848)	(42,892,246)	(42,926,794)	(44,708,988)	(37,780,073)	(23,171,439)	(15,935,789)	(12,650,825)
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION (DEFICIT)	13,186,534	13,033,995	12,429,094	(7,943,142)	(6,001,223)	(6,625,853)	2,562,017	18,332,756	27,608,279	33,345,694
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	504,790	528,443	556,456	600,833	707,080	753,154	769,180	808,232	898,184	988,526
Restricted for:										
Transportation	136,802	139,029	140,676	136,932	141,160	144,657	144,080	132,341	131,706	136,195
Capital projects	—	2	149	182	166	494	1	—	23,818	23,536
Debt service	4,199	4,199	4,200	4,224	4,273	4,240	—	—	—	—
Unemployment/workers' compensation	—	685,191	1,746,563	2,861,392	4,094,675	1,969,190	140,100	1,167,595	1,827,010	2,175,255
Elderly programs	—	—	—	—	—	—	—	44,566	181,579	23,647
Economic development (2)	5,256	5,102	6,373	13,495	6,073	19,880	27,484	24,648	39,272	61,711
Emergency support	129,459	132,008	127,464	130,377	134,694	133,029	131,166	128,140	130,967	135,772
Higher education	226,767	218,155	282,773	381,710	465,429	464,775	737,501	477,033	540,881	667,689
Other purposes	116,825	123,408	135,536	133,877	147,636	159,771	167,615	156,333	162,108	173,879
Unrestricted	(1,632,295)	(1,395,385)	(2,274,989)	(5,038,475)	(5,387,051)	(4,699,861)	(4,742,564)	(4,353,956)	(3,753,674)	(3,125,508)
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION (DEFICIT)	(508,197)	440,152	725,201	(775,453)	314,135	(1,050,671)	(2,625,437)	(1,415,068)	181,851	1,260,702
PRIMARY GOVERNMENT										
Net investment in capital assets	29,682,728	31,053,027	32,097,321	33,576,368	34,968,639	35,641,710	36,860,599	37,210,333	38,439,367	39,945,679
Restricted for:										
General government operations	35	47	75	197	217,571	205,566	143,211	—	631	987
Health-related programs	15,412	14,294	13,918	13,133	18,033	33,797	44,623	84,711	120,344	122,343
Transportation	618,004	738,574	864,739	1,057,375	1,350,967	1,474,913	1,761,239	2,056,848	2,330,684	2,616,224
Capital projects	—	2	149	182	166	494	1	—	23,818	23,536
Debt service	4,199	4,199	4,200	4,224	4,273	4,240	—	—	—	—
Unemployment/workers' compensation	405,823	1,153,406	2,275,979	3,383,457	4,750,256	2,674,263	1,002,590	1,999,407	2,739,742	3,154,002
Elderly programs	—	—	—	—	—	—	—	44,566	181,579	23,647
Environmental and conservation programs	365,837	318,622	370,188	283,430	308,401	335,978	342,373	351,465	736,597	778,843
Economic development (2)	5,256	5,102	13,235	19,114	8,980	23,204	32,133	39,707	49,244	71,700
Gaming licensing/regulation	502,589	426,436	400,131	136,002	141,125	—	386,336	893,432	1,025,494	1,540,819
Correctional industries and procurement	5,498	6,284	26,422	—	—	—	—	—	680	12,015
Emergency support	184,503	197,369	220,466	223,057	245,281	239,885	228,393	235,255	240,309	237,511
Higher education	226,767	218,155	282,773	381,710	465,429	464,775	737,501	477,033	540,881	667,689
Beneficiaries (6)	—	—	—	—	—	473,729	479,986	504,060	615,684	713,875
Human services (7)	—	—	—	—	—	—	264,167	341,133	231,002	235,271
Public protection (7)	—	—	—	—	—	—	8,450	48,800	41,429	64,709
Other purposes	140,844	141,936	135,536	133,877	147,636	159,771	167,615	156,333	162,108	173,879
Unrestricted	(19,479,158)	(20,803,306)	(23,550,837)	(47,930,721)	(48,313,845)	(49,408,849)	(42,522,637)	(27,525,395)	(19,689,463)	(15,776,333)
TOTAL PRIMARY GOVERNMENT NET POSITION (DEFICIT)	\$ 12,678,337	\$ 13,474,147	\$ 13,154,295	\$ (8,718,595)	\$ (5,687,088)	\$ (7,676,524)	\$ (63,420)	\$ 16,917,688	\$ 27,790,130	\$ 34,606,396

Commonwealth of Pennsylvania

Financial Trends

Table 1

Net Position by Component

Last Ten Fiscal Years as of June 30

Source: The Commonwealth's Annual Comprehensive Financial Report (ACFR), as presented for the applicable fiscal year.

Notes:

- (1) For the 2015 fiscal year, the Commonwealth implemented GASB Statement Nos. 68 and 71, which required the reporting of net pension liability, including the associated deferral of resources. With the implementation of GASB Statement Nos. 68 and 71, the beginning net position for governmental activities, business-type activities, and total primary government was restated. Note B in the notes to the financial statements in the June 30, 2015 ACFR provides additional details on this restatement.
- (2) Through the 2014 fiscal year, the net position of the Small Business First Fund and the Machinery and Equipment Loan Fund (both proprietary funds) were included within the economic development restricted net position category. Effective November 1, 2014, their operations were transferred to the Pennsylvania Industrial Development Authority, a discretely presented component unit.
- (3) For the 2017 fiscal year, the operations of the Pennsylvania eHealth Partnership Authority, reported as a discretely presented component unit in the June 30, 2016 ACFR, were merged into the Commonwealth's primary government, effective July 1, 2016. The operations are reported within the General Fund. With this merger, the beginning net position for governmental activities and total primary government were both restated. Note 18 in the notes to the financial statements in the June 30, 2017 ACFR provides additional details on this restatement.
- (4) For the 2018 fiscal year, the Commonwealth implemented GASB Statement No. 75, which established new standards for reporting the liabilities and associated deferral of resources associated with other postemployment benefits provided to employees of state and local governments. With the implementation of GASB Statement No. 75, the beginning net position for governmental activities, business-type activities, and total primary government was restated. Note 18 in the notes to the financial statements in the June 30, 2018 ACFR provides additional details on this restatement.
- (5) For the 2020 fiscal year, the Commonwealth implemented GASB Statement No. 84, which established new standards for identifying and reporting fiduciary activity. With the implementation of GASB 84, eleven funds, previously reported as agency fund types, were reclassified and are now reported as governmental fund types. Therefore, their net position is reported within the governmental activities caption. With the implementation of GASB 84, the beginning net position for both governmental activities and total primary government was restated. Note 18 in the notes to the financial statements in the June 30, 2020 ACFR provides additional details on this restatement.
- (6) In addition to the restatement described in Note 5, the caption "Beneficiaries" was created specifically for any restricted net position for fiduciary assets not held in trust that do not meet the requirements per GASB Statement No. 84 to be reported as custodial funds in the Statement of Fiduciary Net Position. This caption is also for fiduciary assets not held in trust where the primary government has administrative or direct financial involvement. The restricted net position associated with the eleven funds noted in Note 5 is reported within this caption. These changes have not been retroactively applied to prior fiscal years.
- (7) Beginning with the June 30, 2021 ACFR, human services and public protection were added as captions to further describe the purposes for which the net position was restricted. These were not retroactively applied to prior years.
- (8) For the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87, which established new standards for the reporting of leases. With the implementation of GASB Statement No. 87, the beginning net position for governmental activities, business-type activities, and total primary government was restated. Note 18 in the notes to the financial statements in the June 30, 2021 ACFR provides additional details on this restatement.
- (9) For the 2023 fiscal year, the Commonwealth implemented GASB Statement No. 96, which established new standards for the reporting of subscription-based information technology arrangements. With the implementation of GASB Statement No. 96, the beginning net position for governmental activities, business-type activities, and total primary government was restated. Note 18 in the notes to the financial statements in the June 30, 2023 ACFR provides additional details on this restatement.

Commonwealth of Pennsylvania
Financial Trends
Table 2
Changes in Net Position
Last Ten Fiscal Years as of June 30

(Accrual basis of accounting—amounts in thousands)

	2015 (1)	2016	2017 (3)	2018 (4)	2019	2020 (5)	2021 (6)	2022	2023 (7)	2024
GOVERNMENTAL ACTIVITIES										
Expenses:										
Direction and supportive services	\$ 1,415,057	\$ 1,366,741	\$ 1,255,577	\$ 1,580,148	\$ 1,649,677	\$ 1,780,658	\$ 1,769,795	\$ 1,696,041	\$ 1,797,926	\$ 1,891,785
Protection of persons and property	6,659,818	6,750,256	7,011,736	6,839,284	6,997,412	6,288,160	7,069,322	6,499,531	8,081,333	8,147,130
Public education	14,451,280	14,914,554	16,426,782	16,516,828	16,978,293	17,500,801	18,075,619	21,116,364	22,251,952	24,140,385
Health and human services	33,880,187	36,620,781	41,335,410	40,314,856	43,215,757	47,281,732	51,308,190	57,584,051	58,434,956	56,748,489
Economic development	977,910	883,046	1,006,700	930,891	907,959	2,102,195	1,223,545	1,400,383	2,057,874	1,808,293
Transportation	5,751,229	5,943,778	6,365,630	6,193,274	6,472,612	6,234,113	6,117,897	6,190,175	6,808,985	7,196,737
Recreation and cultural enrichment	615,175	607,420	626,244	597,073	591,836	614,142	580,986	586,622	779,801	810,591
Interest	266,477	512,324	435,877	520,369	343,572	326,778	324,741	313,102	328,606	339,730
Total expenses	64,017,133	67,598,900	74,463,956	73,492,723	77,157,118	82,128,579	86,470,095	95,386,269	100,541,433	101,083,140
Program revenues:										
Charges for sales and services:										
Direction and supportive services	975,506	424,384	428,813	351,172	385,580	365,256	356,047	417,501	453,936	536,170
Protection of persons and property	1,350,043	1,539,295	1,571,915	1,895,974	1,940,835	1,935,737	1,997,209	2,049,763	2,044,802	1,997,383
Public education	5,102	7,647	6,059	7,175	7,370	5,943	6,639	7,142	7,169	7,671
Health and human services	1,819,309	1,999,519	2,994,241	3,165,336	3,920,299	3,725,122	4,014,072	4,222,216	4,477,432	4,583,646
Economic development	6,695	7,110	6,221	5,582	7,363	124,654	122,681	120,053	121,368	107,803
Transportation	1,210,668	1,316,284	1,365,419	1,434,982	1,425,810	1,428,307	1,574,242	1,555,995	1,587,599	1,771,403
Recreation and cultural enrichment	274,966	251,242	258,709	250,493	328,164	291,133	296,332	474,946	661,198	435,128
Operating grants and contributions	24,083,463	26,946,551	30,207,372	29,458,189	31,119,597	35,859,590	42,951,814	52,861,051	49,268,771	46,182,549
Capital grants and contributions	32,186	62,360	78,145	30,682	217,056	30,669	96,087	62,997	51,037	40,374
Total program revenues	29,757,938	32,554,392	36,916,894	36,599,585	39,352,074	43,766,411	51,415,123	61,771,664	58,673,312	55,662,127
Total governmental activities net program revenues/(expenses)	(34,259,195)	(35,044,508)	(37,547,062)	(36,893,138)	(37,805,044)	(38,362,168)	(35,054,972)	(33,614,605)	(41,868,121)	(45,421,013)
General revenues and other changes in net position:										
General revenues:										
Taxes:										
Personal income	11,678,106	12,025,979	12,072,378	12,810,647	13,588,057	13,253,021	14,979,293	17,128,630	17,295,443	17,090,663
Sales and use	9,872,467	10,231,892	10,714,383	10,834,227	11,837,831	11,763,375	13,545,318	14,839,656	15,532,863	15,704,542
Corporation	5,195,882	4,134,991	4,406,000	4,548,567	5,049,323	5,099,250	5,756,494	6,985,824	7,557,879	7,065,252
Liquid fuels and motor carriers	3,017,991	3,303,273	3,583,153	3,846,040	3,830,243	3,445,897	3,624,154	3,659,325	3,727,331	3,691,364
Gaming	1,404,195	1,393,508	1,402,207	1,427,502	1,465,402	1,196,563	1,672,407	2,145,403	2,348,402	2,464,449
Inheritance	976,286	947,699	988,569	1,008,382	1,034,367	1,071,513	1,292,139	1,589,343	1,520,630	1,686,072
Cigarette	954,930	974,267	1,406,189	1,363,371	1,288,162	1,223,918	1,267,940	1,166,615	1,115,591	996,306
Realty transfer	485,275	564,002	564,030	606,555	628,245	589,838	745,018	994,263	757,818	631,264
Other	1,459,063	1,350,437	948,200	624,910	723,702	991,947	1,045,357	1,051,834	1,154,429	1,134,365
Total taxes	35,044,195	34,926,048	36,085,109	37,070,201	39,445,332	38,635,322	43,928,120	49,560,893	51,010,386	50,464,277
Investment earnings	16,072	16,297	22,977	38,758	66,236	45,409	23,327	19,751	727,351	1,166,303
Total general revenues	35,060,267	34,942,345	36,108,086	37,108,959	39,511,568	38,680,731	43,951,447	49,580,644	51,737,737	51,630,580
Transfers from business-type activities	127,071	(50,376)	833,714	1,834,711	235,395	(486,771)	289,051	(195,300)	(606,505)	(472,152)
Net general revenues and transfers	35,187,338	34,891,969	36,941,800	38,943,670	39,746,963	38,193,960	44,240,498	49,385,344	51,131,232	51,158,428
Total governmental activities change in net position	\$ 928,143	\$ (152,539)	\$ (605,262)	\$ 2,050,532	\$ 1,941,919	\$ (168,208)	\$ 9,185,526	\$ 15,770,739	\$ 9,263,111	\$ 5,737,415

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)

	2015 (1)	2016	2017 (3)	2018 (4)	2019	2020 (5)	2021 (6)	2022	2023 (7)	2024
BUSINESS-TYPE ACTIVITIES										
Expenses										
State lottery	\$ 4,078,746	\$ 3,967,703	\$ 3,982,011	\$ 4,089,703	\$ 4,498,658	\$ 4,315,251	\$ 5,115,046	\$ 4,927,135	\$ 5,490,145	\$ 4,884,714
State workers' insurance	312,856	286,526	221,245	167,630	132,028	102,667	35,039	41,092	218,396	130,240
Tuition payment	226,330	231,082	336,445	255,056	255,230	289,113	249,403	265,109	293,249	287,001
Unemployment compensation	2,235,297	2,322,278	2,088,543	1,911,547	1,785,691	21,726,219	25,955,854	4,878,953	1,554,492	1,979,718
Commonwealth Financing Authority	162,358	188,604	217,680	253,020	298,466	383,494	340,975	322,203	335,572	382,764
Liquor control	1,800,698	1,855,594	1,947,038	1,965,637	1,988,873	1,870,198	2,074,485	2,102,729	2,295,550	2,353,402
Economic development and other	57,287	54,089	52,211	55,765	76,317	54,205	73,555	80,257	101,808	100,848
Total expenses	8,873,572	8,905,876	8,845,173	8,698,358	9,035,263	28,741,147	33,844,357	12,617,478	10,289,212	10,118,687
Program revenues										
Charges for sales and services:										
State lottery	3,810,017	4,135,246	4,002,543	4,213,344	4,587,868	4,561,273	5,456,344	5,127,113	5,683,792	4,934,811
State workers' insurance	225,660	211,481	184,205	166,029	153,279	115,981	92,344	93,858	96,270	79,034
Tuition payment	191,915	192,187	206,893	205,717	208,814	204,868	209,831	219,530	212,268	208,934
Unemployment compensation	3,073,915	3,162,555	3,122,318	2,961,853	2,966,174	2,680,334	2,195,551	2,242,600	2,358,641	2,272,037
Commonwealth Financing Authority	11,083	9,237	10,497	21,692	15,045	5,917	4,555	4,858	7,544	5,589
Liquor control	1,880,256	1,956,129	2,046,869	2,116,899	2,169,930	2,078,231	2,343,890	2,439,348	2,552,970	2,581,574
Economic development and other	36,170	26,463	29,211	30,511	32,257	33,848	50,022	58,129	105,800	74,646
Operating grants and contributions	416,322	110,551	361,400	328,832	223,076	17,194,720	22,200,027	3,443,919	261,614	557,569
Capital grants and contributions	232	—	—	—	3,803	14,398	5,539	3,192	386	11,192
Total program revenues	9,645,570	9,803,849	9,963,936	10,044,877	10,360,246	26,889,570	32,558,103	13,632,547	11,279,285	10,725,386
Total business-type activities net program revenues/(expenses)	771,998	897,973	1,118,763	1,346,519	1,324,983	(1,851,577)	(1,286,254)	1,015,069	990,073	606,699
Other changes in net position										
Special item-loss on transfer of operations (2)	(157,930)	—	—	—	—	—	—	—	—	—
Transfers to governmental activities	(127,071)	50,376	(833,714)	(1,834,711)	(235,395)	486,771	(289,051)	195,300	606,505	472,152
Net special items and transfers	(285,001)	50,376	(833,714)	(1,834,711)	(235,395)	486,771	(289,051)	195,300	606,505	472,152
Total business-type activities change in net position	486,997	948,349	285,049	(488,192)	1,089,588	(1,364,806)	(1,575,305)	1,210,369	1,596,578	1,078,851
Total primary government change in net position	\$ 1,415,140	\$ 795,810	\$ (320,213)	\$ 1,562,340	\$ 3,031,507	\$ (1,533,014)	\$ 7,610,221	\$ 16,981,108	\$ 10,859,689	\$ 6,816,266

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 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, is 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 in the June 30, 2021 ACFR provides additional details on this implementation. The primary effect on this table is that, beginning with the 2021 fiscal year, additional lease-related revenues and expenses are reported within governmental activities, business-type activities, and the total primary government. The changes were not made retroactively.
- Beginning with the 2023 fiscal year, the Commonwealth implemented GASB Statement No. 96. Note 18 in the notes to the financial statement in the June 30, 2023 ACFR provides additional details on this implementation. The primary effect on this table is that beginning with the 2023 fiscal year, additional subscription-based information technology arrangements revenues and expenses are reported within governmental activities, business-type activities, and the total primary government. The changes were not made retroactively.

Commonwealth of Pennsylvania

Financial Trends

Table 3

Governmental Fund Type Fund Balances

Last Ten Fiscal Years as of June 30

(Modified accrual basis of accounting-amounts in thousands)

	2015	2016	2017 (1)	2018	2019	2020 (2)	2021 (3)	2022	2023 (4)	2024
GENERAL FUND (1)										
Nonspendable	\$ 247,216	\$ 284,398	\$ 218,343	\$ 201,500	\$ 183,102	\$ 170,248	\$ 103,772	\$ 80,856	\$ 60,496	\$ 53,446
Restricted	36	45	78	1,378	8,791	21,779	206,572	279,639	114,626	119,530
Committed	1,289,298	1,486,831	2,321,358	2,737,182	2,820,739	3,181,608	3,379,346	5,743,068	8,265,049	9,814,275
Assigned	—	—	—	—	—	—	—	23,458	—	—
Unassigned/(deficit)	(1,262,997)	(1,681,165)	(3,237,347)	(2,126,350)	(2,177,242)	(4,898,838)	(616,664)	7,244,214	9,734,193	8,925,424
TOTAL GENERAL FUND	273,553	90,109	(697,568)	813,710	835,390	(1,525,203)	3,073,026	13,371,235	18,174,364	18,912,675
ALL OTHER GOVERNMENTAL FUNDS (1)										
Restricted reported in:										
Special Revenue funds	3,756,605	3,708,867	3,122,650	3,347,768	4,723,873	5,290,753	7,032,940	8,678,309	9,939,030	11,305,416
Committed reported in:										
Special Revenue funds	116,314	159,035	159,374	66,986	107,388	64,077	89,234	101,374	147,710	188,343
Debt Service funds	11,717	23,446	7,240	53,594	14,206	5,158	35,857	18,531	30,413	46,724
Capital Projects funds	1,022,565	566,823	1,179,244	1,659,719	930,615	359,311	924,048	343,340	617,549	1,009,324
Unassigned reported in:										
Special Revenue funds (deficit)	(1,936)	—	(42,077)	(9,481)	(13,937)	(14,874)	(14,235)	(14,081)	(13,144)	(13,108)
Capital Projects funds (deficit)	—	—	—	—	—	—	—	(101,882)	—	—
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ 4,905,265	\$ 4,458,171	\$ 4,426,431	\$ 5,118,586	\$ 5,762,145	\$ 5,704,425	\$ 8,067,844	\$ 9,025,591	\$ 10,721,558	\$ 12,536,699

Source: The balance sheet-governmental funds statement, as presented in the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the applicable fiscal year.

Notes:

- (1) For the 2017 fiscal year, the operations of the Pennsylvania eHealth Partnership Authority, reported as a discretely presented component unit in the June 30, 2016 ACFR, were merged into the Commonwealth's primary government, effective July 1, 2016. The activity is reported within the General Fund. In addition, the Veterans' Trust Fund was initially created and reported as a component of the General Fund in the June 30, 2013 ACFR. Based on criteria established by GASB Statement No. 54, it was determined for the June 30, 2017 ACFR that this fund should have been classified as a special revenue fund. With the merger and the reclassification of the Veterans' Trust Fund, the General Fund and the fund balance for all other governmental funds was restated for the 2017 fiscal year. Note 18 in the notes to the financial statements in the June 30, 2018 ACFR provides additional details on this restatement.
- (2) Beginning with the 2020 fiscal year, the Commonwealth implemented GASB Statement No. 84, which affected this table. With the implementation of GASB Statement 84, eleven funds, previously reported as agency fund types, were reclassified as governmental fund types. Two of these fund types were reclassified as components of the General Fund, and the remaining nine were reclassified as special revenue funds. As a result of this implementation, the beginning fund balance of the General Fund as well as the fund balance for all other governmental funds was restated. Note 18 in the notes to the financial statements in the June 30, 2020 ACFR provides additional details on this restatement.
- (3) For the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87, which established new standards for the reporting of leases. With the implementation of GASB Statement No. 87, the beginning fund balance of the General Fund as well as the fund balance for all other governmental funds was restated. Note 18 in the notes to the financial statements in the June 30, 2021 ACFR provides additional details on this restatement.
- (4) For the 2023 fiscal year, the Commonwealth implemented GASB Statement No. 96, which established new standards for the reporting of subscription-based information technology arrangements. With the implementation of GASB Statement No. 96, the beginning fund balance of the General Fund as well as the fund balance for all other governmental funds was restated. Note 18 in the notes to the financial statements in the June 30, 2023 ACFR provides additional details on this restatement.

Commonwealth of Pennsylvania

Financial Trends

Table 4

Revenues by Source and Expenditures by Function-All Governmental Fund Types

Last Ten Fiscal Years as of June 30

(Modified accrual basis of accounting-amounts in thousands)

	2015	2016	2017	2018	2019	2020 (3)	2021 (4)	2022	2023 (5)	2024
REVENUES BY SOURCE										
Taxes, net of refunds	\$ 35,049,415	\$ 35,062,564	\$ 35,804,620	\$ 37,166,942	\$ 39,167,899	\$ 38,514,172	\$ 43,691,592	\$ 49,612,803	\$ 50,793,231	\$ 50,107,349
Licenses and fees	2,414,048	2,711,573	2,777,557	3,121,904	3,318,825	3,030,191	3,222,811	3,281,098	3,316,415	3,518,773
Intergovernmental	24,083,157	27,130,356	29,734,671	29,257,457	30,975,599	35,761,569	42,832,609	53,357,296	49,015,853	45,446,742
Charges for sales and services	2,793,311	2,129,846	3,099,188	3,342,704	3,695,729	4,244,796	4,523,510	4,855,202	5,144,936	5,067,571
Investment earnings	93,756	85,338	218,483	169,233	288,839	239,000	263,633	(235,866)	1,083,279	1,911,702
Other (1)	441,176	702,830	739,385	630,784	971,589	614,718	619,034	690,203	730,341	762,258
TOTAL REVENUES	64,874,863	67,822,507	72,373,904	73,689,024	78,418,480	82,404,446	95,153,189	111,560,736	110,084,055	106,814,395
EXPENDITURES BY FUNCTION										
Direction and supportive services	1,329,707	1,124,931	1,150,808	1,407,098	1,372,559	1,678,050	1,683,432	1,819,631	1,772,898	1,936,793
Protection of persons and property	5,936,010	5,884,950	6,208,519	6,276,949	6,593,861	6,659,007	7,353,320	7,335,540	8,183,867	8,505,056
Health and human services	33,920,750	36,729,441	40,378,702	40,186,060	43,256,755	47,762,894	51,824,805	58,622,297	59,098,847	57,329,789
Public education	14,414,312	14,867,677	16,345,233	16,467,799	16,934,932	17,464,045	18,035,491	21,080,373	22,205,458	24,088,347
Recreation and cultural enrichment	544,326	536,873	533,125	559,015	563,846	612,400	623,957	653,267	779,953	825,952
Economic development	970,286	858,890	983,358	916,074	926,245	2,132,049	1,247,396	1,461,190	2,090,993	1,835,055
Transportation	4,096,439	4,275,308	4,520,863	4,326,573	4,570,221	4,520,671	4,413,571	4,456,006	4,965,723	5,346,457
Capital outlay	2,961,404	3,186,397	2,920,195	3,426,519	3,374,576	3,001,104	3,273,896	3,547,108	3,745,044	4,131,226
Debt service:										
Principal retirement	762,425	757,455	768,551	724,720	815,185	835,116	848,100	896,921	892,580	949,711
Interest and fiscal charges	563,326	578,463	582,068	567,924	589,894	555,939	546,099	515,677	506,201	489,428
TOTAL EXPENDITURES	65,498,985	68,800,385	74,391,422	74,858,731	78,998,074	85,221,275	89,850,067	100,388,010	104,241,564	105,437,814
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(624,122)	(977,878)	(2,017,518)	(1,169,707)	(579,594)	(2,816,829)	5,303,122	11,172,726	5,842,491	1,376,581
OTHER FINANCING SOURCES/(USES)										
Bonds issued	1,460,000	355,000	1,208,725	1,247,000	—	—	1,019,600	—	1,000,000	1,335,000
Refunding bonds issued	782,425	633,175	605,170	970,030	886,875	—	495,525	—	—	753,615
Premium on bonds/refunding bonds issued	318,957	173,671	242,927	252,698	176,780	—	150,966	—	99,652	242,610
Discount on bonds issued	(1,441)	(780)	(2,286)	(1,430)	—	—	(1,831)	—	(1,250)	—
Other financing obligation proceeds	—	—	—	201,115	—	—	75,195	—	—	—
Premium on other financing obligations	—	—	—	—	—	—	7,627	—	—	—
Transfers in	2,242,290	2,265,296	3,158,742	4,022,068	2,887,453	2,286,787	2,941,128	2,255,785	2,260,669	2,351,336
Transfers out	(2,115,219)	(2,315,672)	(2,325,028)	(2,187,357)	(2,652,058)	(2,773,558)	(2,652,077)	(2,451,085)	(2,867,174)	(2,823,488)
Payment to refunded bond escrow agent	(900,849)	(763,350)	(683,084)	(1,136,887)	(1,059,811)	—	(494,440)	—	—	(850,365)
Leases and installment purchases	—	—	—	749	1,635	4,605	117,086	278,530	164,708	168,163
TOTAL OTHER FINANCING SOURCES/(USES)	1,786,163	347,340	2,205,166	3,367,986	240,874	(482,166)	1,658,779	83,230	656,605	1,176,871
NET CHANGE IN FUND BALANCES	\$ 1,162,041	\$ (630,538)	\$ 187,648	\$ 2,198,279	\$ (338,720)	\$ (3,298,995)	\$ 6,961,901	\$ 11,255,956	\$ 6,499,096	\$ 2,553,452
Debt Service as a Percentage of Noncapital Expenditures (2)	2.12 %	2.04 %	1.89 %	1.81 %	1.86 %	1.69 %	1.61 %	1.46 %	1.39 %	1.42 %

Source: The statement of revenues, expenditures, and changes in fund balances-governmental funds statement, as presented in the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the applicable fiscal year.

Notes:

(1) Other revenues include immaterial amounts of lease rentals revenues and interest on notes and loans.

(2) Ratio is calculated as principal retirement plus interest and fiscal charge expenditures divided by total expenditures less capital outlay expenditures. There are no expenditures for capitalized assets contained within the functional expenditure categories.

(3) Beginning with the 2020 fiscal year, the Commonwealth implemented GASB Statement No. 84. As noted in Table 3, the Commonwealth restated the governmental fund balances for July 1, 2019. Note 18 in the notes to the financial statements in the June 30, 2020 ACFR provides additional details on this restatement. The primary effect on this table is that beginning with the 2020 fiscal year, the activity of eleven funds, previously reported as agency funds, is now reported as governmental fund types within this table. The changes were not made retroactively.

(4) Beginning with the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87. Note 18 in the notes to the financial statements in the June 30, 2021 ACFR provides additional details on this implementation. Note 18 in the notes to the financial statements in the June 30, 2021 ACFR provides additional details on this restatement. The primary effect on this table is that beginning with the 2021 fiscal year, additional lease-related financing sources and expenditures are reported within this table. The changes were not made retroactively.

(5) Beginning with the 2023 fiscal year, the Commonwealth implemented GASB Statement No. 96. Note 18 in the notes to the financial statements provides additional details on this implementation. Note 18 in the notes to the financial statements in the June 30, 2023 ACFR provides additional details on this restatement. The primary effect on this table is that beginning with the 2023 fiscal year, additional subscription-based information technology arrangements related to 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)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
TOTAL PERSONAL INCOME BY INDUSTRY (1)(2)										
Workplace earnings:										
Farm earnings	\$ 2,647	\$ 1,703	\$ 882	\$ 1,655	\$ 1,009	\$ 1,502	\$ 1,119	\$ 1,867	\$ 2,987	\$ 1,469
Nonfarm earnings:										
Private earnings:										
Forestry, fishing/hunting, agriculture	721	806	812	801	838	810	858	829	878	1,036
Mining	5,055	3,339	2,179	3,686	3,145	3,225	2,832	3,262	4,819	4,688
Utilities	3,208	3,629	3,748	3,682	3,863	3,791	4,018	4,106	4,013	3,979
Construction	24,112	25,480	26,061	28,124	29,263	30,980	28,976	31,000	33,027	34,469
Manufacturing	43,785	45,233	44,282	46,176	49,336	50,724	49,171	50,987	56,025	58,826
Wholesale trade	21,214	21,491	20,936	21,585	21,855	22,292	22,458	23,093	25,119	26,392
Retail trade	23,527	24,032	24,229	24,349	25,494	26,420	27,190	29,754	29,890	31,596
Transportation and warehousing	17,072	20,694	21,739	23,423	25,584	25,963	26,671	28,652	30,626	31,747
Broadcasting/publishing/internet technology	24,185	23,967	27,489	24,135	23,619	20,470	17,954	18,716	16,777	18,059
Finance and insurance	26,680	27,236	27,323	27,976	28,237	29,842	34,277	37,199	38,697	40,702
Real estate and rental and leasing	7,693	8,899	9,317	9,136	9,043	9,595	9,893	10,908	12,564	12,863
Professional and technical services	40,998	43,235	44,854	47,068	48,650	51,630	52,078	56,517	61,264	64,249
Management of companies and enterprises	17,434	18,437	18,244	19,131	20,200	21,293	19,779	22,756	24,942	26,752
Administrative services	13,959	14,613	14,766	15,888	16,674	17,495	16,934	18,209	20,214	20,644
Educational services	13,776	14,273	15,082	15,254	15,954	16,784	16,928	17,617	18,382	19,421
Health care and social assistance	58,939	61,544	63,361	65,526	68,890	71,962	75,165	77,220	82,158	87,571
Arts, entertainment, and recreation	4,985	4,995	5,569	5,690	5,973	6,070	4,389	5,079	6,364	7,061
Accommodation and food services	10,748	11,370	11,889	12,347	12,963	13,952	10,752	14,930	15,257	16,770
Other services, except public administration	14,789	15,842	16,155	16,421	17,293	17,919	16,535	17,584	19,194	19,937
Total private earnings	372,880	389,115	398,035	410,398	426,874	441,217	436,858	468,418	500,210	526,762
Government:										
Federal, civilian	9,619	9,933	10,138	10,407	10,786	11,000	11,570	11,921	12,467	13,422
Military	1,394	1,371	1,399	1,398	1,423	1,448	1,462	1,498	1,512	1,583
State government	13,419	13,883	14,003	14,126	14,363	14,389	14,776	14,505	14,390	14,596
Local government	33,703	34,228	34,689	34,993	36,084	36,330	36,838	36,526	36,285	37,586
Total government earnings	58,135	59,415	60,229	60,924	62,656	63,167	64,646	64,450	64,654	67,187
Total nonfarm earnings	431,015	448,530	458,264	471,322	489,530	504,384	501,504	532,868	564,864	593,949
Total workplace earnings	433,662	450,233	459,146	472,977	490,539	505,886	502,623	534,735	567,851	595,418
Other earnings/deductions (3)	177,760	185,585	194,183	198,726	216,504	223,443	280,336	295,380	280,532	298,231
Total personal income	\$ 611,422	\$ 635,818	\$ 653,329	\$ 671,703	\$ 707,043	\$ 729,329	\$ 782,959	\$ 830,115	\$ 848,383	\$ 893,649
Total personal income subject to the direct personal income tax rate (4)(5)	\$ 340,150	\$ 357,088	\$ 374,294	\$ 372,576	\$ 395,769	\$ 417,664	\$ 435,400	\$ 321,131	N/A	N/A
Direct personal income tax rate	3.07%	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 in September 2023.
Total personal income subject to the direct tax rate was obtained from the Pennsylvania Department of Revenue. The information for the 2020 calendar year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-August 2023 (Fiscal Year 2021-22). The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for August 2023. Both of these publications were obtained from the Pennsylvania Department of Revenue's website, which is located at www.revenue.pa.gov.

Notes:

- (1) Various calendar years differ from the totals shown in the Commonwealth's Annual Comprehensive Financial Report for June 30, 2022. The amounts shown in the prior year were based on estimates released by the Bureau of Economic Analysis, U.S. Department of Commerce, in September 2022. These estimates have subsequently been revised (as provided in the September 2023 release).
- (2) Personal income by industry is reported under the North American Industry Classification System.
- (3) Other earnings/deductions include dividends, interest, and miscellaneous employee and employer contributions and deductions.
- (4) Total personal income subject to the direct personal income tax rate consists of taxable compensation, interest, dividends, net profits, and other income, prior to the application of various tax credits. This amount is self-assessed by the taxpayer on their tax returns for the tax year. Due to the complexity and length of the tax return filing and review process, the total compilation is not yet available for release by the Pennsylvania Department of Revenue for the 2021 and 2022 tax years.
- (5) This information is presented by tax year rather than by calendar year, as the personal income by industry is presented. An individual filer's tax year is defined as the 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 the returns of the filers whose tax year ended during the applicable calendar year.

Commonwealth of Pennsylvania
Revenue Capacity- Personal Income tax
Table 6
Personal Income Tax Filers and Liability by Income Level
2011 and 2020 Tax Years

(Liability amounts in thousands)

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

Sources:

For the 2011 tax year, all of the information was provided directly by the Pennsylvania Department of Revenue. For the 2020 tax year, the number of filers per taxable income level and the personal income subject to the direct personal income tax rate per income level (used in the Personal Income Tax Liability estimation) were obtained from the Statistical Supplement for the Pennsylvania Tax Compendium-August 2023 (Fiscal Year 2021-22). The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for August 2023. Both of these publications were obtained from the Pennsylvania Department of Revenue's website, which is located at www.revenue.pa.gov.

Notes:

- (1) Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth cannot disclose the names of the ten largest personal income tax filers. Therefore, this schedule is presented as an alternative comparison regarding the sources of the Commonwealth's personal income tax revenue.
- (2) An individual filer's tax year is defined as the period for which that person must file a tax return. Generally, many filers have the last day of their filing year fall on December 31st; however, for various reasons, other filers have a filing year that falls on a different date (e.g., March 31st). This table presents information based on all filers whose tax year ended during the 2011 or 2020 calendar years.
- (3) Due to the complexity and length of the tax return filing and review process, the total compilation of personal income subject to the direct tax rate per income level was not yet available for release by the Pennsylvania Department of Revenue for the 2021 and 2022 tax years. This compilation is used in the calculation of the estimated personal income tax liability. Therefore, the 2011 and 2020 tax years are presented as an alternative comparison.
- (4) The estimated total personal income tax liability is calculated by multiplying the total personal income (as self-assessed by the individual tax filer) for the income level by the tax rate applicable during the tax year. The estimated liability is presented before any applicable tax credits are applied. Beginning with the 2004 tax year, the rate increased to 3.07%. This rate has been in effect for all subsequent tax years.
- (5) Beginning with the 2017 tax year, the captions used by the Pennsylvania Department of Revenue changed. The amounts for the 2011 tax year are reported within the original captions, whereas the amounts reported in the 2020 tax year are reported within the new captions.
- (6) Totals may not foot due to rounding.

**Commonwealth of Pennsylvania
Revenue Capacity-Sales Tax**

**Table 7
Estimated Taxable Sales by Industry Classification of
the Vendor
For the Last Ten Fiscal Years Ended June 30**

(Amounts in thousands)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Estimated Taxable Sales by Industry (1)(2)(3)										
Manufacturing	\$ 7,391,733	\$ 7,555,033	\$ 6,866,433	\$ 6,852,700	\$ 6,788,750	\$ 7,262,917	\$ 7,466,667	\$ 7,295,000	\$ 8,338,333	\$ 10,138,333
Public utilities	4,492,650	4,761,067	4,624,267	4,565,533	4,583,617	4,647,817	4,666,667	4,195,000	4,306,667	5,400,000
Wholesale trade	12,316,833	12,792,633	14,385,883	14,344,567	14,582,100	15,700,450	17,150,000	16,075,000	18,371,667	22,355,000
Building materials	9,039,217	9,158,683	9,515,817	9,906,717	10,125,267	10,484,900	11,416,667	11,511,667	14,971,667	16,533,333
General merchandise	19,879,167	19,969,650	20,713,100	21,196,000	21,704,150	22,933,933	25,933,333	28,121,667	37,091,667	36,550,000
Food and beverage stores	6,580,383	6,575,817	6,605,800	6,901,517	6,836,300	6,862,217	7,200,000	7,200,000	7,841,667	8,751,667
Automotive dealers	4,122,667	4,367,833	4,775,433	4,926,033	4,843,200	4,796,450	5,100,000	4,798,333	5,575,000	6,360,000
Furniture and appliances	5,285,467	5,176,483	5,836,550	6,105,367	6,210,833	6,377,833	6,516,667	6,000,000	7,695,000	9,273,333
Other retail stores	6,447,917	6,414,917	6,228,017	6,459,733	6,849,317	6,808,683	7,050,000	6,583,333	7,915,000	9,918,333
Agriculture and mining	934,050	906,617	1,178,700	972,767	858,350	991,000	1,133,333	1,035,000	1,076,667	1,265,000
Construction	3,175,267	3,270,033	3,590,800	4,553,317	4,710,583	4,685,267	4,966,667	4,856,667	5,428,333	6,641,667
Service	45,039,633	46,338,883	47,927,017	49,470,517	51,073,967	53,224,817	57,066,667	54,090,000	56,491,667	72,640,000
Transportation, delivery, and warehousing	472,217	490,583	518,767	562,800	525,000	597,467	650,000	886,667	2,318,333	2,841,667
Government	305,033	342,117	281,200	295,717	305,767	328,633	350,000	286,667	488,333	546,667
Unclassified	1,132,717	1,194,517	755,650	1,417,100	1,607,417	1,684,550	1,050,000	2,205,000	2,513,333	3,453,333
Motor vehicle	19,459,683	20,626,333	22,103,600	22,453,967	22,779,633	23,211,650	24,733,333	22,750,000	30,795,000	32,386,667
Liquor sales	2,153,933	2,219,167	2,311,450	2,268,800	2,356,700	2,424,133	2,500,000	2,408,333	2,693,333	2,828,333
Total sales tax estimated base (4)	\$ 148,228,567	\$ 152,160,366	\$ 158,218,484	\$ 163,253,152	\$ 166,740,951	\$ 173,022,717	\$ 184,950,001	\$ 180,298,334	\$ 213,911,667	\$ 247,883,333
Total direct sales tax rate	6.0 %	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 the total direct sales tax rate (both used in the calculation of estimated taxable sales by industry) are provided by the Pennsylvania Department of Revenue. Sales tax remittances by industry for the 2022 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-August 2023 (Fiscal Year 2021-22). The total direct sales tax rate was obtained from the Pennsylvania Tax Compendium for August 2023. Both of these publications were obtained from the Pennsylvania Department of Revenue's website, which is located at www.revenue.pa.gov.

Notes:
(1) Estimated taxable sales are calculated based on sales tax remittances (made by vendors with their tax returns processed during the fiscal year) divided by the direct sales tax rate of 6%.
(2) Estimated taxable sales are organized by the major industrial activity of the vendor and do not represent sales by product type. These are presented based on the North American Industry Classification System.
(3) Due to the complexity and length of the tax return filing and review process, the total compilation of sales tax remittances was not yet available for release by the Pennsylvania Department of Revenue for the 2023 fiscal year. Therefore, fiscal years 2013 through 2022 are presented as an alternative comparison.
(4) Totals may not foot due to rounding.

Commonwealth of Pennsylvania

Revenue Capacity-Sales Tax

Table 8

Sales Tax Remittance by Major Industry Classification

Fiscal Years Ended June 30, 2014 and June 30, 2023

(Amounts in thousands)

June 30, 2014 (1)(2)			June 30, 2023 (1)(2)		
Industry (4)	Sales (3) Tax Remittances Liability	Percentage of Total	Industry (4)	Sales (3) Tax Remittances Liability	Percentage of Total
Manufacturing	\$ 453,302	4.97 %	Manufacturing	\$ 655,000	4.22 %
Public utilities	285,664	3.13 %	Public utilities	392,600	2.53 %
Wholesale trade	767,558	8.41 %	Wholesale trade	1,407,300	9.07 %
Building materials	549,521	6.02 %	Building materials	1,002,600	6.46 %
General merchandise	1,198,179	13.12 %	General merchandise	2,239,100	14.44 %
Food and beverage stores	394,549	4.32 %	Food and beverage stores	552,400	3.56 %
Automotive dealers	262,070	2.87 %	Automotive dealers	402,500	2.60 %
Furniture and appliances	310,589	3.40 %	Furniture and appliances	568,600	3.67 %
Other retail stores	384,895	4.22 %	Other retail stores	591,300	3.81 %
Agriculture and mining	54,397	0.60 %	Agriculture and mining	92,500	0.60 %
Construction	196,202	2.15 %	Construction	424,500	2.74 %
Service	2,780,333	30.45 %	Service	4,572,900	29.48 %
Transportation, delivery, and warehousing	29,435	0.32 %	Transportation, delivery, and warehousing	190,300	1.23 %
Government	20,527	0.22 %	Government	17,100	0.11 %
Unclassified	71,671	0.79 %	Unclassified	226,600	1.46 %
Motor vehicle	1,237,580	13.56 %	Motor vehicle	1,998,600	12.89 %
Liquor sales	133,150	1.46 %	Liquor sales	176,000	1.13 %
Total (5)	<u>\$ 9,129,622</u>	100.00 %	Total (5)	<u>\$ 15,509,900</u>	100.00 %
Sales Tax Licenses (6)	232,969		Sales Tax Licenses (6)	254,356	

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 2023 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-August 2023 (Fiscal Year 2022-23). This publication was obtained from the Pennsylvania Department of Revenue's website, which is located at www.revenue.pa.gov.

Notes:

- (1) Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth cannot disclose the names of the ten largest sales tax filers. Therefore, this schedule is presented as an alternative comparison regarding the sources of the Commonwealth's sales tax revenue.
- (2) Due to the complexity and length of the tax return filing and review process, the total compilation of sales tax remittances was not yet available for release by the Pennsylvania Department of Revenue for the 2023 fiscal year. Therefore, fiscal years 2014 and 2023 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 the major industrial activity of the vendor and do 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 according to 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

	2012	2013	2014	2015	2016 (7)	2017	2018	2019 (6)	2020 (6)	2021 (6)
ESTIMATED CORPORATE NET INCOME TAXABLE BASE (1)(2)										
Corporate Tax Report Compilation (amounts in thousands)	\$ 23,948,802	\$ 24,837,562	\$ 27,160,802	\$ 25,454,707	\$ 25,957,854	\$ 25,980,414	\$ 33,038,888	\$ 32,874,719	\$ 36,455,598	\$ 45,732,489
NUMBER OF FILERS BY CORPORATE NET INCOME TAX LIABILITY RANGE (3)										
\$0	86,259	88,486	92,816	94,228	79,863	56,624	52,378	56,268	59,020	56,883
\$1-300	7,029	6,481	6,199	6,214	6,204	9,554	9,209	8,367	7,195	7,607
\$301-500	1,939	1,750	1,797	1,805	1,773	2,657	2,581	2,230	2,123	2,138
\$501-1,000	3,046	2,852	2,796	2,889	2,743	4,191	3,930	3,726	3,381	3,679
\$1,001-5,000	7,528	7,213	7,417	7,344	7,336	9,969	9,968	9,332	8,947	9,946
\$5,001-10,000	2,829	2,786	2,849	2,860	2,848	3,627	3,691	3,538	3,631	4,279
\$10,001-25,000	2,744	2,713	2,970	2,930	2,919	3,708	4,170	4,009	4,055	4,757
\$25,001-50,000	1,559	1,620	1,781	1,770	1,708	2,148	2,452	2,435	2,565	2,999
\$50,001-100,000	1,228	1,262	1,373	1,380	1,366	1,659	1,871	1,888	2,074	2,355
\$100,001-250,000	1,225	1,207	1,241	1,246	1,293	1,447	1,722	1,632	1,836	2,228
\$250,001-500,000	561	538	582	607	575	652	798	774	854	1,028
\$500,001-1,000,000	379	344	377	355	348	420	476	477	539	649
>\$1,000,000	418	429	462	441	437	410	527	525	594	790
Total corporate net income tax filers (4)(5)	116,744	117,681	122,660	124,069	109,413	97,066	93,773	95,201	96,814	99,338
Total direct corporate net income tax rate	9.99 %	9.99 %	9.99 %	9.99 %	9.99 %	9.99 %	9.99 %	9.99 %	9.99 %	9.99 %

Sources:
Information provided by the Pennsylvania Department of Revenue. The direct corporate net income tax rate was obtained from the Pennsylvania Tax Compendium for August 2024. This publication was obtained from the Pennsylvania Department of Revenue's website, which is located at www.revenue.pa.gov.

Notes:
(1) 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 and 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.
(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 2022 and 2023 tax years. Therefore, tax years 2012 through 2021 are presented as an alternative comparison.
(5) The corporate filer's tax year is defined as the period for which it must file a tax return. Though some filers have the last day of their filing year fall on December 31, many filers have a filing year that falls on a different date (e.g., March 31). This table presents information based on all filers whose tax year began during the associated calendar years.
(6) For tax years 2012 through 2018, the amounts presented are actual. The amounts presented for the 2018 tax year may differ from the amounts presented in the same table in the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the June 30, 2023 fiscal year, since that amount was an estimate. For the 2019 tax year, the amounts presented are a revised estimate from what was presented in the June 30, 2023 ACFR. And for the 2020 tax year, the amounts presented are an estimate.
(7) The total number of filers for the 2016 tax year decreased by over 14,000 compared to the 2015 tax year. In prior tax years, an entity filing both CSFT and CNIT was considered a C corporation unless explicitly noted otherwise. For this reason, some non-C corporations that did not completely fill out returns were erroneously considered CNIT filers. With the elimination of the capital stock/foreign franchise tax in the 2016 tax year, these entities stopped filing returns, explaining the drop in the number of C corporations.

Commonwealth of Pennsylvania

Debt Capacity

Table 10

Outstanding Debt and Outstanding Debt Ratios
For the Last Ten Fiscal Years Ended June 30

(Expressed in Thousands, Except Debt per Capita)

PRIMARY GOVERNMENT (1)(2)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Governmental activities:										
General obligation bonds	\$ 12,976,531	\$ 12,517,909	\$ 12,966,490	\$ 13,415,631	\$ 12,490,765	\$ 11,497,176	\$ 11,693,268	\$ 10,667,746	\$ 10,758,090	\$ 11,156,289
Leases/installment purchase liabilities (5)(6)	110,208	103,183	100,054	99,259	96,725	95,226	1,021,798	1,151,333	1,186,598	1,154,832
Other financing obligations	285,740	285,740	285,740	502,390	567,052	480,790	536,818	509,961	481,794	458,494
Total governmental	13,372,479	12,906,832	13,352,284	14,017,280	13,154,542	12,073,192	13,251,884	12,329,040	12,426,482	12,769,615
Business-type activities:										
Demand revenue bonds payable	9,565	—	—	—	—	—	—	—	—	—
Revenue bonds payable	4,182,896	3,681,734	3,893,393	5,319,824	5,086,362	4,417,523	4,627,322	4,480,360	4,327,107	4,167,860
Leases/installment purchase liabilities (5)(6)	—	—	—	—	—	—	286,037	269,136	254,757	255,588
Total business-type	4,192,461	3,681,734	3,893,393	5,319,824	5,086,362	4,417,523	4,913,359	4,749,496	4,581,864	4,423,448
TOTAL PRIMARY GOVERNMENT	\$ 17,564,940	\$ 16,588,566	\$ 17,245,677	\$ 19,337,104	\$ 18,240,904	\$ 16,490,715	\$ 18,165,243	\$ 17,078,536	\$ 17,008,346	\$ 17,193,063
Debt as a Percentage of Personal Income (3)(4)	2.87 %	2.61 %	2.64 %	2.88 %	2.58 %	2.26 %	2.32 %	2.06 %	2.00 %	1.92 %
Amount of Debt per Capita (3)(4)	\$ 1,364	\$ 1,286	\$ 1,335	\$ 1,494	\$ 1,405	\$ 1,269	\$ 1,398	\$ 1,312	\$ 1,311	\$ 1,326

Source: The Commonwealth's Annual Comprehensive Financial Report (ACFR), as presented for the applicable fiscal year.

Notes:

(1) Each caption includes the reported current and noncurrent amounts of the outstanding debt.

(2) Details on the Commonwealth's total outstanding debt for June 30, 2024 can be found in Note 6 for both governmental activities and business-type activities.

(3) See Table 14 for summarized totals for personal income and population data that were used in the calculations of these ratios. Personal income details are presented in Table 5. As detailed in Tables 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, 2023 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, 2023 ACFR.

(4) Debt ratios use total outstanding debt, which is presented by the fiscal year ended June 30, while the personal income and population data used in the calculations are presented by the calendar year.

(5) Beginning with the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87. Note 18 in the notes to the financial statement in the June 30, 2021 ACFR provides additional details on this implementation. The primary effect on this table is that, beginning with the 2021 fiscal year, additional lease-related liabilities are reported within this table. The changes were not made retroactively.

(6) Beginning with the 2023 fiscal year, the Commonwealth implemented GASB Statement No. 96. Note 18 in the notes to the financial statements in the June 30, 2023 ACFR provides additional details on this restatement. The primary effect on this table is that, beginning with the 2023 fiscal year, additional subscription-based information technology arrangements-related liabilities are reported within this table. The changes were not made retroactively.

Commonwealth of Pennsylvania

Debt Capacity

Table 11

Ratios of General Obligation Bonded Debt Outstanding

Last Ten Fiscal Years Ended as of June 30

(Amounts in thousands)

Fiscal Year	(1) General Obligation Bonds	(2) Percentage of Actual Tax Revenues	(3) Per Capita
2015	\$ 12,976,531	37.03%	\$ 1,007
2016	12,517,909	35.84%	969
2017	12,966,490	35.93%	1,003
2018	13,415,631	36.19%	1,032
2019	12,490,765	31.67%	962
2020	11,497,176	29.76%	886
2021	11,693,268	26.62%	898
2022	10,667,746	21.52%	818
2023	10,758,090	21.09%	827
2024	11,156,289	22.11%	857

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 bond 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, 2023 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, 2023 ACFR.

Commonwealth of Pennsylvania

Debt Capacity

Table 12

Computation of Legal Debt Margin

As of August 31 for the Last Ten Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Average annual tax revenues deposited in the previous five fiscal years	\$36,290,613,411	\$37,326,634,317	\$38,281,016,071	\$39,318,865,371	\$40,738,613,073	\$41,212,144,284	\$43,007,553,352	\$45,683,741,181	\$48,339,805,509	\$50,697,047,251
Constitutional factor	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Constitutional debt limit for debt incurred without the approval of the electors (A)	63,508,573,469	65,321,610,054	66,991,778,124	68,808,014,400	71,292,572,878	72,121,252,497	75,263,218,366	79,946,547,067	84,594,659,641	88,719,832,689
Less outstanding net debt (non-electorate approved)	10,640,300,242	11,423,804,500	10,590,276,500	10,999,114,101	10,222,540,310	9,571,847,906	9,732,967,835	8,971,687,854	9,183,103,382	9,662,211,244
Legal debt margin (B)	\$52,868,273,227	\$53,897,805,554	\$56,401,501,624	\$57,808,900,299	\$61,070,032,568	\$62,549,404,591	\$65,530,250,531	\$70,974,859,213	\$75,411,556,259	\$79,057,621,445
Total outstanding net debt applicable to the constitutional limit as a percentage of the constitutional limit	16.75 %	17.49 %	15.81 %	15.99 %	14.34 %	13.27 %	12.93 %	11.22 %	10.86 %	10.89 %

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 disasters, or 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 of 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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Employment by nonfarm related industry (1)(2)(3):										
Total nonfarm:										
Private earnings:										
Goods producing:										
Natural resources and mining	37,800	34,000	25,000	26,700	28,700	28,900	23,200	21,700	22,200	22,300
Construction	229,100	235,500	239,200	249,200	255,900	261,200	241,600	254,800	259,100	259,500
Manufacturing	568,900	569,300	561,200	563,200	571,300	575,300	537,900	544,300	563,700	564,900
Total goods producing	835,800	838,800	825,400	839,100	855,900	865,400	802,700	820,800	845,000	846,700
Service providing:										
Trade	1,102,900	1,114,000	1,118,500	1,117,800	1,123,800	1,123,400	1,059,000	1,101,900	1,141,700	1,143,000
Information	85,900	85,500	85,000	84,800	86,700	87,900	83,900	86,400	93,200	93,500
Financial activities	315,900	316,800	317,900	321,700	326,500	331,600	327,100	328,800	335,100	335,700
Professional and business services	764,900	783,100	797,200	802,400	806,300	815,200	770,300	802,500	842,100	843,400
Education and health services	1,180,800	1,192,400	1,218,900	1,245,800	1,274,800	1,295,800	1,228,800	1,228,900	1,260,700	1,265,300
Leisure and hospitality	537,700	545,400	557,500	566,800	571,900	578,000	424,400	478,400	537,300	540,300
Other services	253,400	254,800	259,400	259,700	260,800	262,400	223,900	236,200	250,900	251,700
Total service providing	4,241,500	4,292,000	4,354,400	4,399,000	4,450,800	4,494,300	4,117,400	4,263,100	4,461,000	4,472,900
Total private earnings	5,077,300	5,130,800	5,179,800	5,238,100	5,306,700	5,359,700	4,920,100	5,083,900	5,306,000	—
Government	711,400	704,700	703,300	703,200	703,000	706,300	684,800	676,700	678,100	678,500
Total nonfarm	5,788,700	5,835,500	5,883,100	5,941,300	6,009,700	6,066,000	5,604,900	5,760,600	5,984,100	678,500

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 of employees 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, 2023 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	United States	Pennsylvania as % of U.S.	Pennsylvania	United States	Pennsylvania as % of U.S.	Pennsylvania	United States	Pennsylvania rate above/(below) U.S.
2014	12,880	319,270	4.03 %	\$ 611,422	\$ 14,778,160	4.14 %	\$ 47,469	\$ 46,287	2.55 %
2015	12,899	321,829	4.01 %	635,818	15,467,113	4.11 %	49,293	48,060	2.57 %
2016	12,918	324,368	3.98 %	653,329	15,884,741	4.11 %	50,574	48,971	3.27 %
2017	12,945	326,623	3.96 %	671,703	16,658,962	4.03 %	51,888	51,004	1.73 %
2018	12,981	328,542	3.95 %	707,043	17,514,402	4.04 %	54,468	53,309	2.17 %
2019	12,991	330,233	3.93 %	729,329	18,349,584	3.97 %	56,139	55,566	1.03 %
2020	12,995	331,527	3.92 %	782,959	19,600,945	3.99 %	60,249	59,123	1.90 %
2021	13,014	332,049	3.92 %	830,115	21,403,979	3.88 %	63,788	64,460	(1.04)%
2022	12,972	333,271	3.89 %	848,383	22,077,232	3.84 %	65,401	66,244	(1.27)%
2023	12,962	334,915	3.87 %	893,649	23,380,269	3.82 %	68,945	69,810	(1.24)%

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 includes 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, 2023 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, 2023 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, 2023 ACFR.

Commonwealth of Pennsylvania

Demographic and Economic

Table 15

Employment Information

For the Last Ten Calendar Years

(Expressed in thousands)

Calendar Year	Pennsylvania (1)				United States				Pennsylvania rate above/(below) U.S.
	Civilian Labor Force	Employed	Unemployed	Unemployment Rate	Civilian Labor Force	Employed	Unemployed	Unemployment Rate	
2014	6,389	6,010	379	5.9 %	155,922	146,305	9,617	6.2 %	(4.84)%
2015	6,423	6,076	347	5.4 %	157,130	148,834	8,296	5.3 %	1.89 %
2016	6,459	6,115	344	5.3 %	159,187	151,436	7,751	4.9 %	8.16 %
2017	6,485	6,162	323	5.0 %	160,320	153,337	6,982	4.4 %	13.64 %
2018	6,510	6,222	288	4.4 %	162,075	155,761	6,314	3.9 %	12.82 %
2019	6,576	6,292	285	4.3 %	163,539	157,538	6,001	3.7 %	16.22 %
2020	6,506	5,930	577	8.9 %	160,742	147,795	12,948	8.1 %	9.88 %
2021	6,432	6,054	378	5.9 %	161,204	152,581	8,623	5.4 %	9.26 %
2022	6,465	6,202	263	4.1 %	164,287	158,291	5,996	3.6 %	13.89 %
2023	6,518	6,296	223	3.4 %	167,116	161,037	6,080	3.6 %	(5.56)%

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, 2023 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 Fiscal Years Ended June 30

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Direction and supportive services										
Legislative	2,716	2,596	2,583	2,564	2,701	2,509	2,522	2,541	2,658	2,766
Revenue	1,902	1,869	1,880	1,856	1,651	1,670	1,571	1,539	1,530	1,582
Executive Offices	1,496	1,429	1,441	1,460	2,900	2,834	2,687	2,826	2,874	3,044
General Services	926	863	866	834	835	829	817	819	859	943
Auditor General	472	463	469	448	454	384	373	359	365	379
Treasurer	353	345	357	373	371	362	337	333	340	345
Other	248	239	230	1,549	118	329	320	337	372	398
Total direction and supportive services	8,113	7,804	7,826	9,084	9,030	8,917	8,627	8,754	8,998	9,457
Protection of persons and property										
Corrections	15,197	15,340	15,374	15,367	16,693	16,320	16,098	15,705	15,937	16,017
State Police	6,344	6,372	6,210	6,079	6,280	6,360	6,281	6,359	6,317	6,342
Liquor Control Board	5,093	5,166	5,424	5,358	5,350	5,363	5,592	5,754	6,164	6,350
Environmental Protection	2,491	2,412	2,411	2,319	2,305	2,350	2,290	2,381	2,502	2,657
Judiciary	2,160	2,179	2,178	2,090	2,072	2,028	2,008	2,004	2,010	2,057
Transportation	1,189	1,193	1,174	1,167	1,282	1,268	1,342	1,363	1,365	1,499
Probation and Parole Board	1,228	1,267	1,268	1,285	—	—	—	—	—	—
Agriculture	921	884	868	843	859	849	823	805	870	884
Attorney General	840	836	859	857	934	951	948	969	991	1,037
Military and Veterans Affairs	474	486	500	490	483	509	509	547	532	595
State	485	479	492	484	516	505	511	500	497	544
Other	1,782	1,729	1,713	1,692	1,710	1,719	1,735	1,725	1,756	1,807
Total protection of persons and property	38,204	38,343	38,471	38,031	38,484	38,222	38,137	38,112	38,941	39,789
Public education										
Education	488	474	475	438	448	453	449	432	469	499
Total public education	488	474	475	438	448	453	449	432	469	499
Health and human services										
Human Services	16,829	17,164	16,914	16,064	16,013	15,971	15,501	14,788	14,037	14,291
Labor and Industry	3,785	3,674	3,108	2,837	2,908	3,253	3,336	3,158	3,524	3,476
Military and Veterans Affairs	1,949	1,959	1,923	1,925	1,884	1,952	1,939	1,886	1,856	1,865
Health	1,236	1,249	1,282	1,117	1,134	1,164	1,265	1,303	1,374	1,434
Other	301	290	279	277	263	278	253	268	293	307
Total health and human services	24,100	24,336	23,506	22,220	22,202	22,618	22,294	21,403	21,084	21,373
Economic development										
Labor and Industry	903	908	910	867	864	818	780	751	807	871
Community and Economic Development	307	299	298	283	288	290	278	294	318	353
Environmental Protection	—	—	—	—	—	—	—	—	—	1
Total economic development	1,210	1,207	1,208	1,150	1,152	1,108	1,058	1,045	1,125	1,225
Transportation										

Commonwealth of Pennsylvania

Operating Information

Table 16

Commonwealth Employees by Function and Agency

For the Last Ten Fiscal Years Ended June 30

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Labor and Industry	—	—	—	—	—	—	—	—	—	1
Transportation	10,480	10,490	10,522	10,230	10,551	10,406	10,401	10,151	10,476	11,098
Total transportation	10,480	10,490	10,522	10,230	10,551	10,406	10,401	10,151	10,476	11,099
Recreation and cultural enrichment										
Conservation and Natural Resources	2,425	2,387	2,396	2,278	2,245	2,216	2,194	2,153	2,284	2,373
Game Commission	781	725	683	705	696	728	753	783	826	872
Fish and Boat Commission	416	432	426	409	402	403	435	471	442	451
Historical and Museum Commission	218	205	205	201	198	195	182	183	192	196
Other	42	41	40	40	43	45	40	43	47	48
Total recreation and cultural enrichment	3,882	3,790	3,750	3,633	3,584	3,587	3,604	3,633	3,791	3,940
Total Commonwealth Employees	86,477	86,444	85,758	84,786	85,451	85,311	84,570	83,530	84,884	87,382

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023 (4)	2024 (4)
Direction and supportive services:										
Executive Offices										
Juvenile Court Judges' Commission										
Juveniles arrested for violent crimes (1) (5)	2,907	2,814	3,069	2,612	2,874	1,850	1,452	1,901	1,923	2,127
Protection of persons and property:										
Attorney General										
Total drug arrests	1,727	1,239	1,197	1,413	1,638	1,301	1,153	1,032	1,404	1,447
Consumer complaints concerning business practices investigated and mediated	26,591	20,736	20,230	22,976	25,774	27,327	25,286	30,538	38,659	35,000
Corrections										
Inmates	50,366	49,913	48,510	48,353	46,482	42,101	37,748	37,498	38,713	39,945
Military and Veterans Affairs										
Pennsylvania National Guard End Strength Ceiling	19,969	19,699	19,615	18,919	18,330	17,926	18,839	18,845	18,429	17,450
Personnel receiving training at Fort Indiantown Gap	126,722	124,264	120,208	163,494	151,716	121,980	107,124	104,464	123,234	107,729
Revenue										
Households provided property tax or rent assistance (2)	580,729	567,280	559,025	547,994	531,995	828,226	149,570	444,119	429,137	405,493
Judiciary										
Caseload (cases filed/reopened/appeals) (1)	3,299,021	3,273,085	3,134,994	3,290,613	3,196,261	3,184,937	2,198,502	2,466,441	2,698,313	2,675,263
Public education:										
Higher Education										
Full-Time Equivalent Enrollments at State-Supported Institutions of Higher Education:										
State System of Higher Education	102,322	99,870	97,477	94,243	90,224	87,802	87,973	79,552	76,294	77,590
Community Colleges	89,807	86,185	81,941	80,270	76,596	75,898	69,713	60,685	60,134	59,828
State-Related Universities	164,075	165,654	170,461	171,295	168,875	159,029	160,112	158,121	155,918	154,039
Non-State Related Universities and Colleges	842	865	1,040	1,122	1,350	1,467	1,310	1,313	1,455	1,655
Health and human services:										
Aging and Long-Term Living										
Comprehensive PACE/PACENET Program:										
Older Pennsylvanians enrolled (average)	268,805	256,622	245,231	233,006	228,988	224,683	208,980	205,106	202,505	200,614
Prescriptions per year	8,381,953	7,565,493	6,775,596	6,248,623	5,524,599	4,828,439	4,222,277	4,012,512	3,872,989	3,841,163
Health										
Vital events (births, deaths, fetal deaths) registered (1)	269,203	272,623	273,888	275,255	270,096	286,805	289,038	278,192	281,637	268,983
Human Services										
Persons participating in Medical Assistance (monthly average)	2,354,542	2,716,782	2,852,697	2,907,652	2,886,140	2,882,000	3,186,000	3,451,000	3,658,000	3,496,000
Persons receiving cash assistance (monthly average)	160,490	143,765	126,283	111,594	97,310	86,952	69,403	65,380	69,207	63,939
Community Mental Health Services										
Total persons provided mental health services	735,002	765,867	774,303	798,265	810,396	765,214	716,243	755,290	788,459	928,811
Persons receiving Intellectual Disability services	54,075	54,675	55,172	55,667	56,366	56,954	56,650	57,614	61,850	64,350
Economic development:										
Labor and Industry										
Vocational Rehabilitation-Eligible participants with active plans	52,500	41,579	39,771	49,902	53,414	42,483	34,781	35,584	39,142	44,000
Transportation:										
Transportation										
Passengers carried by State-assisted operators (millions annually)	426	426	404	397	387	299	143	196	231	238
Highway and Bridge Construction/Reconstruction/Maintenance										
Total miles of state maintained highways improved	5,060	5,291	5,305	6,156	5,185	6,141	3,093	5,477	6,561	5,985
Bridges rehabilitated/repared	253	415	556	402	171	181	119	141	171	170
Bridges preserved	265	216	248	229	181	191	175	248	271	300

Commonwealth of Pennsylvania

Operating Information

Table 17

Operating Indicators by Function and Agency

For the Last Ten Years Ended June 30

	2015	2016	2017	2018	2019	2020	2021	2022	2023 (4)	2024 (4)
Recreation and cultural enrichment:										
Conservation and Natural Resources										
State park attendance (visitor days per calendar year / thousands annually)	37,900	40,500	40,600	38,800	37,400	40,700	46,600	39,400	38,300	38,400
Fish and Boat Commission										
Fishing licenses sold	841,419	837,324	841,743	800,248	765,983	777,087	934,259	865,973	793,663	790,000
Game Commission										
Hunting licenses sold	943,836	935,767	914,244	885,564	855,546	860,798	887,211	861,966	860,642	860,642
Historical and Museum Commission										
Records maintained by the State Records Center	266,853	265,521	237,492	237,370	236,972	233,914	227,364	219,591	216,139	214,700
Annual ticketed visitors to commission historical sites and museums (in thousands) (3) ...	384	377	332	347	316	226	19	120	216	224

Sources: Governor's Office of the Budget, Comptroller Offices, various agencies

Notes:

(1) Amounts are presented as of December 31.

(2) Property Tax and Rent Assistance rebate payments for claim year 2019 were accelerated from fiscal year 2020-21 into fiscal year 2019-20 in order to assist households during the COVID-19 pandemic.

(3) Annual ticketed visitors to commission historical sites and museums decreased significantly in the 2019-20 and 2020-21 fiscal years due to the COVID-19 pandemic.

(4) For the latest fiscal year, the majority of the indicators presented are estimates. For the immediate previous fiscal year, the amounts that were presented as estimates in the Commonwealth's ACFR for the June 30, 2023 fiscal year have been revised. Therefore, the amounts shown may differ from what was presented in the June 30, 2023 ACFR.

(5) Changes were made in the PSP Uniform Crime Reporting (the program used to obtain this data over the past decade), which has been updated entirely since June 30, 2023 ACFR.

Commonwealth of Pennsylvania

Operating Information

Table 18

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
GOVERNMENTAL ACTIVITIES										
Direction and supportive services:										
Department of General Services										
Number of buildings	115	115	115	115	115	114	114	114	114	114
Total pieces of machinery and equipment	147	138	144	156	187	152	155	198	188	200
Capital and Agency projects in design and/or construction (1)	647	315	258	231	281	293	310	287	325	335
Vehicles in fleet	14,253	14,555	14,674	14,981	15,138	15,375	15,665	15,640	15,836	16,307
Protection of persons and property:										
Department of Corrections										
State Correctional Institutions (2)	26	26	25	25	25	25	25	24	24	24
State Police										
Patrol vehicles	2,182	2,182	2,197	2,282	2,282	2,282	2,322	2,497	2,497	2,497
Police stations and/or troop headquarters (2)	26	26	26	26	26	26	26	25	25	25
Department of Military and Veterans Affairs										
Number of National Guard readiness centers (3)	121	116	123	122	120	119	116	115	106	105
Public education:										
State System of Higher Education (SSHE)-Component Unit										
Number of SSHE universities using Commonwealth owned buildings and land (3)	14	14	14	14	14	14	14	14	10	10
Health and human services:										
Department of Human Services										
Total number of hospital or treatment center complexes (2)	17	17	16	16	15	15	15	15	12	12
Transportation:										
Department of Transportation										
Total pieces of equipment	8,388	8,559	8,928	9,344	9,481	9,806	9,884	10,104	10,310	10,744
Total lane miles of highways (state or locally maintained) (in thousands)	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000
Recreational and cultural enrichment:										
Department of Conservation and Natural Resources										
Acres of land in state parks and forests (in millions)	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Game Commission										
Acres of game lands (in millions)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Fish Commission										
Public boat launches	271	271	271	271	277	277	277	277	278	278
Total number of fish hatcheries	15	15	15	15	15	15	14	14	14	14
Historical and Museum Commission										
Museums and historic sites	37	34	30	29	28	28	28	26	24	27
Economic development:										
Department of Labor and Industry										
Square footage of rehabilitation centers owned by the Commonwealth	469,065	469,065	469,065	469,065	469,065	469,065	469,065	469,065	469,065	469,065

Sources: Governor's Office of the Budget, Comptroller Offices and various agencies.

Notes:

(1) Beginning with the 2016 fiscal year, only projects that are actively being designed and/or constructed are included.

(2) State Correctional Institutions, police station/troop headquarters, and hospital/treatment center complexes include nondepreciable capital assets (e.g., land) and depreciable assets (e.g., machinery and equipment, buildings, improvements, etc.).

(3) The State System of Higher Education (SSHE) is a discretely presented component unit. However, each of its universities uses land, buildings, and improvements that were purchased by the Commonwealth and are still reported as governmental activities capital assets in the Commonwealth's Statement of Net Position. See Note 1 in the Notes to the Financial Statements for a detailed description of this relationship. Effective July 1, 2022, six universities were consolidated into two newly named universities.



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

Appendix

APPENDIX- Legend of Abbreviations

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

<u>ABBREVIATION</u>	<u>DESCRIPTION</u>
ACFR	Annual Comprehensive Financial Report
ACWI	All Country World Index
AG	Office of the Attorney General
ARPA	American Rescue Plan Act
BFTDA	Ben Franklin Technology Development Authority
BMP	Best Management Practices
CFA	Commonwealth Financing Authority
CFP	Charitable Food Program
CIP	Commonwealth Investment Program
CMO	Collateralized Mortgage Obligation
CNIT	Corporate Net Income Tax
CPI	Consumer Price Index
CRIZ	City Revitalization Improvement Zone
CTF	Collective Trust Fund
CU	Component Unit
DC	Defined Contributions
DC-CTF	Defined Contributions Collective Trust Funds
DCED	Department of Community and Economic Development
DCP	Deferred Compensation Program
DDAP	Department of Drug and Alcohol Programs
DGS	Department of General Services
DHS	Department of Human Services
DOR	Department of Revenue
DOT	Department of Transportation
DPCU	Discretely Presented Component Unit
EIO	Educational Improvement Organization
EITC	Educational Improvement Tax Credit
EOSTC	Educational Opportunity Scholarship Tax Credit
ESSER	Elementary and Secondary School Emergency Funds
ETF	Exchange-Traded Funds
EZP	Enterprise Zone Program
FMV	Fair Market Value
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GEER	Governors Emergency Education Relief
GFOA	Government Finance Officers Association
GO	General Obligation
GSE	Government Sponsored Enterprise
GSP	Guaranteed Savings Plan
HDC	Harristown Development Corporation
HOP	Health Options Program
IBNR	Incurred But Not Reported
IFPA	Insurance Fraud Prevention Authority
IJA	Infrastructure Investment and Jobs Act
IRA	Inflation Reduction Act
KIZ	Keystone Innovation Zone Program
KOZ	Keystone Opportunity Zone Program
LWA	Lost Wage Assistance Program

APPENDIX- Legend of Abbreviations

MA	Medical Assistance
MAWD	Medical Care for Workers With Disabilities
MBS	Mortgage-Backed Securities
Mcare	Medical Care Availability and Reduction of Error Fund
MD&A	Management's Discussion and Analysis
MIRP	Military Installation Remediation Program
NAICS	North American Industry Classification System
NAP	Neighborhood Assistance Program
NAV	Net Asset Value
NIZ	Neighborhood Improvement Zone
NPP	Neighborhood Partnership Program
NRSRA	Nationally Recognized Statistical Rating Agencies
NRSRO	Nationally Recognized Statistical Rating Organization
NYSE	New York Stock Exchange
OID	Original Issue Discount
OPEB	Other Postemployment Benefits
PACE	Pharmaceutical Assistance Contract for the Elderly
PBDA	Pennsylvania Broadband Development Authority
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
PFAs	Polyfluoroalkyl Substances
PG	Primary Government
PHEAA	Pennsylvania Higher Education Assistance Agency
PHEFA	Pennsylvania Higher Educational Facilities Authority
PHFA	Pennsylvania Housing Finance Agency
PHIEA	Pennsylvania Health Insurance Exchange Authority
PHMC	Pennsylvania Historical and Museum Commission
PIB	Pennsylvania Infrastructure Bank Fund
PIDA	Pennsylvania Industrial Development Authority
PIT	Personal Income Taxes
PKSO	Pre-Kindergarten Scholarship Organization
PLCB	Pennsylvania Liquor Control Board
PPC	Port of Pittsburgh Commission
PPPs	Public-Private Partnerships
PRPA	Philadelphia Regional Port Authority
PSDC	Philadelphia Shipyard Development Corporation
PSERS	Public School Employees' Retirement System
PSP	Pennsylvania State Police
PTC	Pennsylvania Turnpike Commission
PTRR	Property Tax Rent Rebate
PURTA	Public Utility Realty Tax Act
REAP	Resource Enhancement and Protection Tax Credit
REHP	Retired Employees' Health Program
RPSP	Retired Pennsylvania State Police Program
RSI	Required Supplementary Information
S&P	Standard & Poor's

APPENDIX- Legend of Abbreviations

SBITAs	Subscription Based Information Technology Arrangements
SCC	State Conservation Commission
SEA	Sports and Exhibition Authority
SERS	State Employees' Retirement System
SFR	State Fiscal Recovery
SLFRF	State and Local Fiscal Recovery Funds
SMA	Separately Managed Accounts
SNAP	Supplemental Nutrition Assistance Program
SO	Scholarship Organization
SOFR	Secured Overnight Financing Rate
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
UC	Unemployment Compensation
USTIF	Underground Storage Tank Indemnification Fund
UTF	Unemployment Compensation Trust Fund