



Commonwealth of Pennsylvania

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

Tom Wolf
Governor



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Commonwealth of Pennsylvania

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2015

Tom Wolf, Governor



Prepared By:

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Office of the Budget

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Office of the Budget

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Chief Accounting Officer

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**Commonwealth of Pennsylvania
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015**

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COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE
HARRISBURG

RANDY ALBRIGHT
SECRETARY
OFFICE OF THE BUDGET

January 29, 2016

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

We are pleased to present this Comprehensive Annual Financial Report (CAFR) of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 2015. 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, 2015 Basic Financial Statements have been jointly audited by the Department of the Auditor General and CliftonLarsonAllen LLP, an independent public accounting firm. The independent auditors' unmodified opinion is included in the beginning of the Financial Section of this CAFR. 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, 2015 Basic Financial Statements, provides an overview of the Commonwealth's financial position and activities thus helping readers to understand the basic financial statements. This section immediately follows the auditors' opinion. In addition to the MD&A and Basic Financial Statements, this CAFR includes: budgetary comparison schedules; combining fund financial statements; other supporting schedules; narrative information describing individual funds; and statistical tables presenting financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information as reported over the last ten fiscal years.

PROFILE OF THE GOVERNMENT

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

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

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

Pennsylvania government has three distinct branches: the legislative branch, the judicial branch, and the executive branch. The legislative branch, comprised of the Senate and House of Representatives, develops and passes the Commonwealth's laws. The judicial branch, made up of the Pennsylvania Supreme Court as well as other specialized courts, serves the Commonwealth by interpreting the laws put in place by the legislative branch. The executive branch, consisting of the elected Governor, Auditor General, Attorney General, State Treasurer, and other appointed officials, works to enforce the laws established by the legislative branch. With these three branches of the Pennsylvania state government, an effective system of checks and balances is created. The Commonwealth's principal leadership and organization charts at June 30, 2015 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, 2015. It accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in special funds, and accounts for a significant portion of Commonwealth expenditures. Tax revenues, principally personal and corporate net income, and sales and use taxes, constitute approximately 89 percent of the non-Federal General Fund budgetary basis revenues.

BUDGET ADOPTION AND LEGAL COMPLIANCE BUDGETARY COMPARISON SCHEDULE

A discussion of the Commonwealth's annual budget process is included as Required Supplementary Information (RSI) immediately following the Notes to the Financial Statements. The legally adopted budget provides statutory control over spending. Under Commonwealth law, expenditures cannot exceed amounts appropriated. Budgetary control is exercised by specific, line-item appropriations. The Budgetary Comparison Schedule, included as RSI, provides original budget, final budget and actual budgetary results for the fiscal year ended June 30, 2015.

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

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

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

<u>Fiscal Year</u>	<u>Balance/(Deficit)</u>	<u>Increase/(Decrease)</u>
2015	\$ 206	\$ 122
2014 (revised)	84	(463)
2013 (revised)	547	(126)
2012 (revised)	673	(420)
2011 (revised)	1,093	1,387

During the fiscal year ended June 30, 2015, General Fund revenues and other sources exceeded General Fund expenditures and other uses, and at June 30, 2015, the Commonwealth reported an unreserved/undesignated fund balance (budgetary basis) in the General Fund. The budgetary basis results for the fiscal year ended June 30, 2015 include revenue collections totaling \$56,208, less appropriation authorizations totaling \$56,108, plus other net financing sources totaling \$22. Included in the \$56,108 appropriation authorizations are \$164 of state supplemental appropriations and \$287 in Federal supplemental appropriations authorized during the fiscal year ended June 30, 2015 (amounts in millions).

ECONOMIC CONDITION

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

Although hiring growth has been slow over the last several years, according to the Bureau of Labor Statistics, employment growth has come from a number of sectors. Year-over-year gains were achieved in manufacturing (0.7 percent), construction (3.9 percent), professional and business services (0.5 percent), and the leisure and hospitality industry (1.4 percent). Increases in the leisure and hospitality sector are a likely indicator of increased travel and discretionary spending.

Pennsylvania will benefit from the continued development of the Marcellus Shale natural gas deposit which will provide jobs in the mining industry. The state may also attract jobs in industries that can benefit from the increase in natural gas supplies, either for low-cost energy or for inputs into chemical products. The current growth phase in the Marcellus Shale production is focused on building infrastructure to service existing wells.

LONG TERM FINANCIAL PLANNING

Each year, the Governor's Executive Budget request includes estimates of total revenues, available balances carried forward and expenditures for all Commonwealth funds for the budget year and the four subsequent fiscal years that illustrate potential revenue and spending changes during those periods. Although these financial projections are subject to change due to many reasons, including unforeseen future changes in state and federal laws and as a result of actual economic activity, the projections attempt to inform the state's policy makers about the status of the Commonwealth's budget and possible future budgetary matters.

As of the date this CAFR was produced, the budget for the Commonwealth's Fiscal Year 2015-2016 was in negotiations. The Governor and the General Assembly have a number of as-yet unenacted revenue generating proposals under consideration. In late December 2015, the General Assembly sent a \$30.3 billion dollar general appropriation bill to the Governor. The Governor exercised his executive authority to line-item veto approximately \$6.3 billion of the budget, and signed the remainder of that bill into law as Act 10A of 2015. Given that the budget negotiations for Fiscal Year 2015-2016 are ongoing, and that those negotiations include a number of revenue enhancing proposals, the projected revenue and expenditures for the current fiscal year, and the subsequent fiscal years have not been decided upon at this time. Pennsylvania's business climate continues to improve, and for the period July 1, 2015 through December 31 2015, the Commonwealth's tax revenue collections for Fiscal Year 2015-2016 are 2.6% above the collections received for this same period in Fiscal Year 2014-2015 without any changes to the Commonwealth's revenue-producing laws. Although the Commonwealth's economy is subject to the economic activities and trends that affect all other states' economies generally, the Commonwealth expects these trends in its state tax revenue collections to continue through June 30, 2016 under its present revenue generating statutes. The Governor's Executive Budget request for Fiscal Year 2016-2017 will be available on February 9, 2016 and will include estimated revenues and expenditures for the next five fiscal years, through the fiscal year ending June 30, 2021.

CERTIFICATE OF ACHIEVEMENT

The CAFR 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 CAFR as of and for the fiscal year ended June 30, 2014. This represents the twenty-ninth 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 CAFR, which conforms to GFOA standards and satisfies both generally accepted accounting principles and applicable legal requirements. A certificate of achievement is valid for a period of one year only. We believe the CAFR of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 2015 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,



Randy Albright
Secretary
Office of the Budget

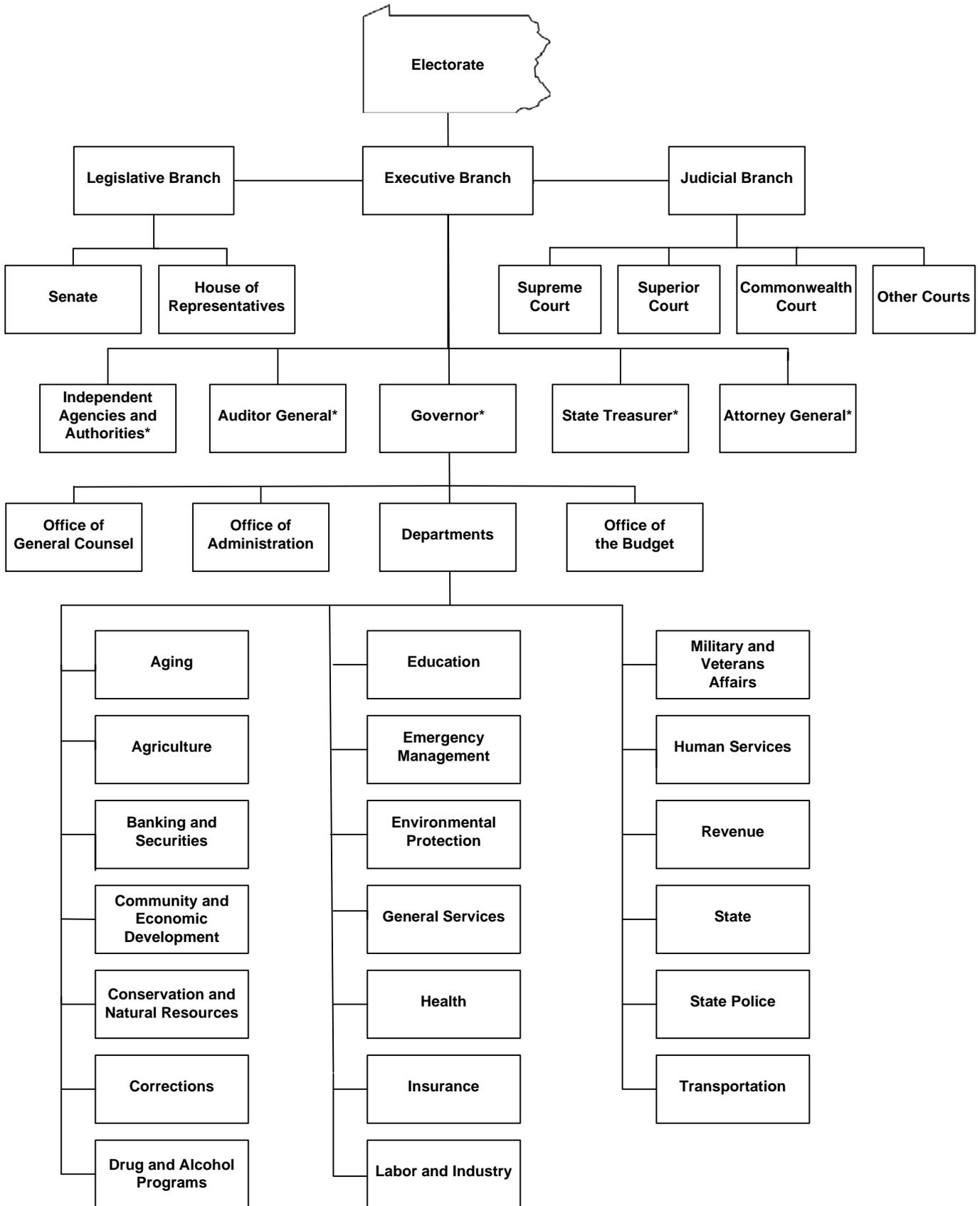


Brenda Warburton
Executive Deputy Secretary
Office of the Budget



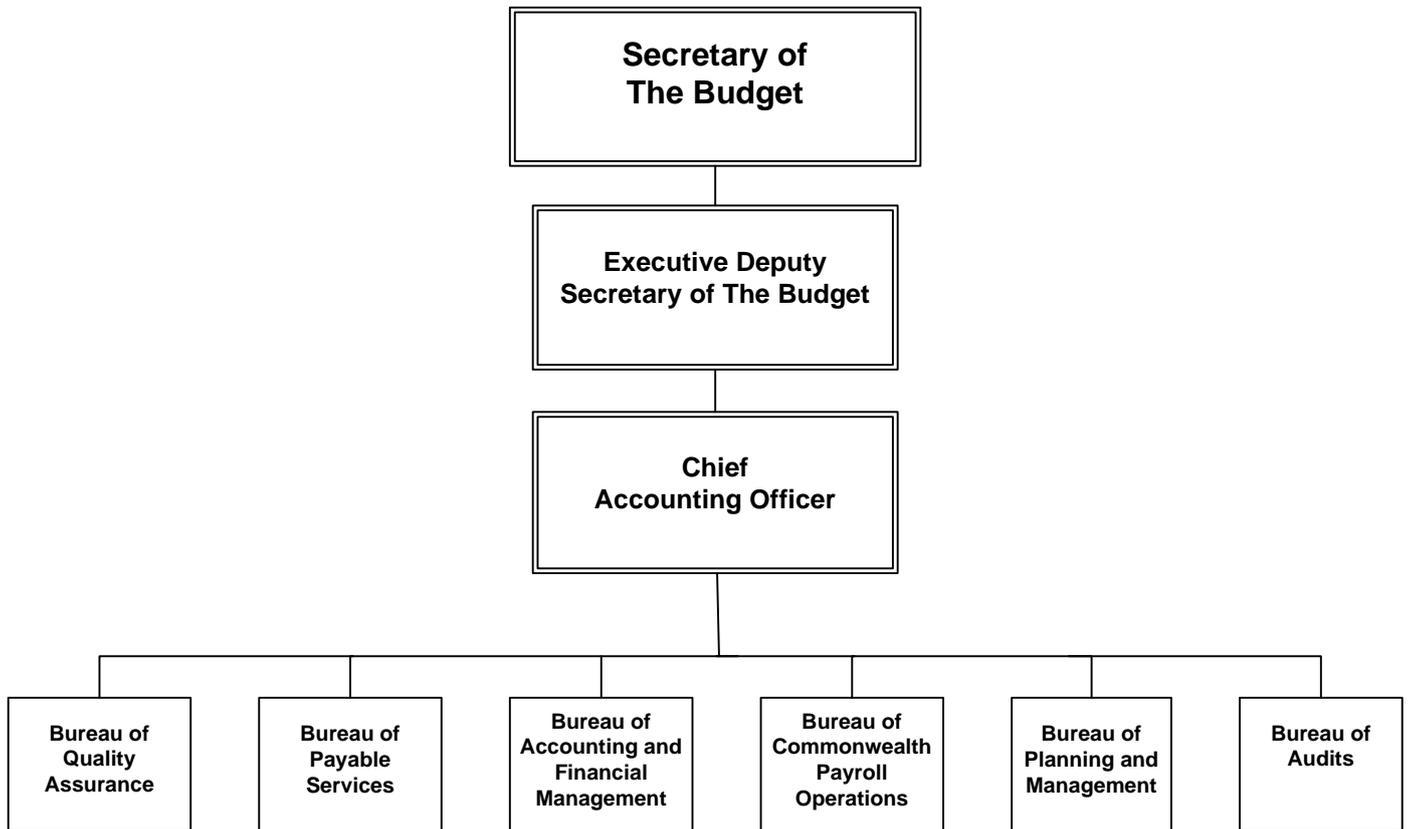
Anna Maria Kiehl, CPA
Chief Accounting Officer
Office of the Budget

**COMMONWEALTH OF PENNSYLVANIA
ORGANIZATION CHART
JUNE 30, 2015**



*Independently Elected or Appointed
Commonwealth of Pennsylvania
www.pa.gov

**Office of the Budget -
Office of
Comptroller Operations
Organization Chart
June 30, 2015**



Principal Leadership

Commonwealth Elected and Selected Appointed Officials as of June 30, 2015

Tom Wolf, Governor

Mike Stack, Lieutenant Governor

Timothy Reese, Treasurer

Eugene DePasquale, Auditor General

Kathleen Kane, Attorney General

Randy Albright, Secretary of the Budget

Sharon Minnich, Secretary of Administration

Joseph Scarnati, President pro Tempore, Senate

Mike Turzai, Speaker of the House

Thomas Saylor, Chief Justice State Supreme Court



Government Finance Officers Association

Certificate of
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Commonwealth of Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Financial Section



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



CliftonLarsonAllen

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

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

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Pennsylvania (the Commonwealth), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

	Percentage Audited Separately by				Percent Audited by	
	Department of the Auditor General		CliftonLarsonAllen LLP		Other Auditors	
	Total Assets & Deferred Outflows of Resources	Total Revenue	Total Assets & Deferred Outflows of Resources	Total Revenue	Total Assets & Deferred Outflows of Resources	Total Revenue
Government-Wide						
Business-type Activities	6%	19%	25%	3%	17%	0%
Component Units	0%	0%	17%	43%	82%	57%
Fund statements						
Enterprise Funds	6%	20%	25%	3%	17%	0%
Fiduciary Funds	1%	0%	0%	0%	90%	91%
Discretely Presented Component Units	0%	0%	17%	43%	82%	57%

The Honorable Tom Wolf, Governor
Commonwealth of Pennsylvania

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Pennsylvania as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Pennsylvania Turnpike Commission

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

Change in Accounting Principle Resulting From Adoption of New Accounting Pronouncement

During the fiscal year ended June 30, 2015, the Commonwealth adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the Commonwealth reported a restatement for the change in accounting principle (See Note B). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18-40, and the schedules of funding progress and employer contributions, schedules of pension amounts – Commonwealth's proportionate share of the net pension liability and

The Honorable Tom Wolf, Governor
Commonwealth of Pennsylvania

Commonwealth's schedule of contributions and the budgetary comparison schedules on pages 164-171 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining 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 the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit and the reports of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



Harrisburg, Pennsylvania
January 29, 2016



Baltimore, Maryland
January 29, 2016



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) of the Commonwealth of Pennsylvania's (Commonwealth's) Comprehensive Annual Financial Report (CAFR) 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, 2015 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 Stmts..... 18
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Section A: Understanding Government Financial Statements

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

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

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

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

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

	Government-wide Statements			Fund Financial Statements		
	Governmental Activities	Business-Type Activities	Discretely Presented Components 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 Funds • 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"> • Agency Funds • Pension Trust Funds • Investment Trust Funds • Private-purpose Trust Funds *Activities held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs
Required Financial Statements	<ul style="list-style-type: none"> • -Statement (Stmt) of Net Position (1) • -Stmt of Activities (2) 			<ul style="list-style-type: none"> • Balance Sheet (3) • Stmt of Revenues, Expenditures and Changes in Fund Balances (4) 	<ul style="list-style-type: none"> • Stmt of Net Position (1) • Stmt of Revenues, Expenses and Changes in Net Position (8) • Stmt of Cash Flows (5) 	<ul style="list-style-type: none"> • Stmt Fiduciary Net Position (6) • Stmt of Changes in Fiduciary Net Position (7)
Measurement Focus and Basis of Accounting	Economic resources measurement focus and accrual basis			Current financial resources measurement focus and modified accrual basis	Economic resources measurement focus and accrual basis	Accrual basis

- (1) **Statement of Net Position** is a government-wide or proprietary fund financial statement that reports the difference between assets, deferred outflows, liabilities and deferred inflows as net position, not fund balances or equity.
- (2) **Statement of Activities** is a government-wide financial statement that reports the net (expense) revenue of its individual function and the activities as a whole.
- (3) **Balance Sheet** presents a comprehensive statement of the assets, deferred outflows, liabilities, deferred inflows 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, liabilities, and net position for each fiduciary fund type.
- (7) **Statement of Changes in Fiduciary Net Position** presents additions and deductions in net position, as well as net position at the beginning and end of the financial period.
- (8) **Statement of Revenues, Expenses, and Changes in Net Position** presents the flows of resources in and out, as well as net position at the beginning and end of the financial period.

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

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

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

For further accounting policy explanations see Note A in the Notes to Financial Statements section of the CAFR.

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 CAFR.

Section B: Commonwealth's Overall Financial Activity

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

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

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

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

Government-wide Expenses

Governmental Activities:

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

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

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

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

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

Transportation reports the expenses of the Commonwealth's road and bridge infrastructure improvements and enhancements as well as the costs to provide licensing and highway safety programs.

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 Game Commission, the Historical and Museum Commission and the Department of Education.

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

Business-Type Activities:

State lottery reports the cost of sales and services to manage and maintain the Commonwealth's lottery program. All profits from the lottery program benefit the

elderly population through the funding of programs ensuring reduced costs on prescriptions, access to public transportation, and property tax and rent rebate programs.

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

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

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

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

Economic development and other expenses reported include, among other things, those for a variety of economic development programs, the tuition payment program and the Philadelphia Regional Port Authority.

Section C: Condensed Financial Information

The Commonwealth was required to implement Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, by June 30, 2015. The beginning net position on the Government-wide Statement of Activities has been restated to reflect the reporting changes required in the implementation of these two new accounting standards. These standards require that the full effect of the unfunded pension liability be recognized on the financial statements, as well as a recognition of pension related deferred inflows and outflows. It is important to note that while the standards change the way the Commonwealth reports their pension related items, these pension liabilities and deferred items existed prior to the implementation of the new standards. The new standards simply change the way these items are now reported in the financial statements. Please refer to Note B in the Notes to Financial Statements section of the CAFR for restatement information related to GASB Statement No. 68 and GASB Statement No.71, and to Note I in the Notes to Financial Statements section of the CAFR for additional pension related disclosures.

Government-wide Statement of Net Position as of June 30, 2015 and 2014
(Amounts in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Assets:						
Cash and investments.....	\$ 9,803	\$ 9,023	\$ 6,823	\$ 6,259	\$ 16,626	\$ 15,282
Capital assets (net).....	35,060	33,865	514	499	35,574	34,364
All other assets.....	9,605	8,163	1,714	1,792	11,319	9,955
Total assets.....	54,468	51,051	9,051	8,550	63,519	59,601
Total deferred outflows.....	1,009	175	47	2	1,056	177
Liabilities:						
Accounts payable.....	8,043	6,212	764	801	8,807	7,013
All other current liabilities.....	3,785	4,165	1,619	1,239	5,404	5,404
Bonds payable, non-current.....	12,219	12,264	3,844	4,230	16,063	16,494
All other long-term liabilities.....	17,979	5,704	3,375	2,817	21,354	8,521
Total liabilities.....	42,026	28,345	9,602	9,087	51,628	37,432
Total deferred inflows.....	264	-	4	-	268	-
Net position:						
Net investment in capital assets.....	29,178	28,345	505	489	29,683	28,834
Restricted.....	1,856	2,195	619	938	2,475	3,133
Deficit.....	(17,847)	(7,659)	(1,632)	(1,962)	(19,479)	(9,621)
Total net position.....	\$ 13,187	\$ 22,881	\$ (508)	\$ (535)	\$ 12,679	\$ 22,346

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 \$780 primarily due to increased tax collections in the General Fund, proceeds from new bond issuances in the Capital Facilities Fund, increased accrued payables in the Capital Debt Fund and increased payments from the Pennsylvania Turnpike Commission to the Public Transportation Trust Fund offset by a large payment to the Public School Employees Retirement System from the Tobacco Settlement Fund.
- Business-Type Activities total cash and investments increased \$564 primarily due to increased revenue and decreased expenses in the Unemployment Compensation Fund and the increased participation in the Securities lending program within the Tuition Payment Fund, offset by decreased operating revenues, increased transfers out, and increased grant and subsidy expenses in the State Lottery Fund, and reported cash and investment decreases for the Machinery and Equipment Loan Fund, and Small Business First Fund. The Machinery and Equipment Loan Fund and Small Business First Fund were transferred from the Primary Government to the Pennsylvania Industrial Development Authority, a discretely presented component unit. See Note H in the Notes to Financial Statements section of the CAFR for more information related to this transfer of operations.

Capital assets net increase:

- Governmental Activities capital assets increased \$1,195 primarily as a result of capitalizing improvements to the Commonwealth's bridge and roadway system, which represents the largest portion of the Commonwealth's investment in capital assets.

All other assets net increase: (Items reported in this category include taxes receivable, due from other governments, accounts receivable, inventory, supplies and other assets.)

- Governmental Activities reported an overall net increase of \$1,442 primarily due to an increase in amounts due from the federal government, particularly for the Department of Human Services' Managed Care program. Increased federal receivables for the Managed Care program directly relate to increased payables for the program, which are discussed in the analysis of government-wide

accounts payable. There were also significant increases to accounts receivable and taxes receivable, which are discussed further in the General Fund analysis.

Deferred outflows of resources increase:

- The total increase of \$879 is primarily due to the implementation of GASB Statements No. 68 and No. 71 related to accounting and financial reporting for pensions.
- Governmental Activities deferred outflows of resources increased \$834. Deferred outflows related to pensions were reported as \$1,008 as of June 30, 2015 and \$0 as of June 30, 2014. This increase was partially offset by a decrease of deferred outflows related to debt refunding.
- Business-Type Activities deferred outflows of resources increased \$45. Deferred outflows related to pensions were reported as \$43 as of June 30, 2015 and \$0 as of June 30, 2014.

Accounts payable (A/P) increase: (A/P reports the outstanding short-term amounts owed to creditors incurred during the normal course of business.)

- Governmental Activities A/P increase of \$1,831 is primarily attributable to an additional one month delay of payments from the Department of Human Services to counties and private care providers for the Managed Care program compared to the prior year. This delay in payment was the result of budgetary constraints.

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

- Governmental Activities decrease of \$380 is largely due to current year changes in the accrual approach for corporate and personal income taxes, and sales and use taxes. These changes were implemented to capture the fairest and most inclusive evaluation of payable balances at the end of the reporting period. This decrease is offset by an increase in the current portion of bonds payable.
- Business-Type Activities increase of \$380 is primarily due to increased securities lending obligations in the State Workers' Insurance Fund and the Tuition Payment Fund. Participation in the securities lending program serves as an income generating investment

for the Commonwealth. Increased participation in the securities lending program results in increased collateral held by the Commonwealth which must be repaid.

Bonds payable, non-current net decrease: (Bonds Payable reports debt instruments that have been issued to provide cash in exchange for long-term debt.)

- Governmental Activities non-current bonds payable decreased \$45 primarily due to the refunding of bonds and a larger portion of bond debt becoming current offset by new general obligation bond issuances for capital facilities.
- Business-Type Activities decreased \$386 largely as a result of Unemployment Compensation Fund revenue bonds being redeemed throughout the year.

All other long-term liabilities increase: (Liabilities reported in this category are due in periods beyond twelve months from the close of the fiscal year and will be repaid with future resources. Reported items include compensated absences, self-insurance, net pension liability, other postemployment benefit obligations and other long-term liabilities.)

- The total increase of \$12,833 is primarily due to the implementation of GASB Statements No. 68 and No. 71 related to accounting and financial reporting for pensions.
- Governmental Activities increased \$12,275. Net pension liability was reported as \$12,007 as of June 30, 2015 and \$0 as of June 30, 2014. Additionally the liabilities for other postemployment benefits and noncurrent self-insurance increased \$515 and \$111 respectively due to increased actuarial valuations. Among other things, these increases were offset by a \$261 decrease to non-current escheat payables.
- Business-Type Activities increased \$558. Net pension liability was reported as \$525 as of June 30, 2015 and \$0 as of June 30, 2014. Additionally the liabilities for other postemployment benefits and noncurrent self-insurance increased \$19 and \$13 respectively due to increased actuarial valuations.

Deferred inflows of resources increase:

- Governmental Activities deferred inflows of resources increased \$264 due in part to the implementation of GASB Statement No. 68 related to accounting and financial reporting for pensions. Deferred inflows related to pensions were reported as \$113 as of June 30, 2015 and \$0 as of June 30, 2014. The remainder of the increase was due to the addition of deferred inflows related to debt refunding.
- Business-Type Activities deferred inflows of resources increased \$4 due to the implementation of GASB Statements No. 68 and No. 71 related to accounting and financial reporting for pensions. Deferred inflows related to pensions were reported as \$4 as of June 30, 2015 and \$0 as of June 30, 2014.

Net position is one way of measuring the health of the Commonwealth's finances. An overall surplus is reported for Governmental Activities, however, the majority of the surplus is related to net investment in capital assets which are unavailable to utilize in satisfying the Commonwealth's day-to-day expenses. Other significant items to consider relative to net position include:

- The Governmental Activities increase of \$833 in net investment in capital assets reflects the Commonwealth's investment in highway and bridge infrastructure, as well as investment in the land, building, right-of-way and waterway improvements.
- The decrease of \$9,694 in Governmental Activities total net position is primarily a result of the implementation of GASB Statements No. 68 and No. 71, which require the reporting of long-term net pension liabilities and pension related deferred inflows and outflows. This implementation resulted in a \$10,623 restatement decreasing net position. Aside from this restatement, Governmental Activities net position increased by \$929 due primarily to increased tax and unclaimed property revenues offset by increased personnel and health and human services grant expenses.

Statement of Activities for the Fiscal Years Ended June 30, 2015 and 2014
(Amounts in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues						
Charges for sales and services	\$ 5,642	\$ 4,718	\$ 9,229	\$ 8,922	\$ 14,871	\$ 13,640
Operating grants and contributions	24,084	22,862	417	1,049	24,501	23,911
Capital grants and contributions	32	42	-	-	32	42
Total program revenues	29,758	27,622	9,646	9,971	39,404	37,593
General revenues: taxes and investment income	35,060	31,973	-	-	35,060	31,973
Total revenues	64,818	59,595	9,646	9,971	74,464	69,566
Expenses:						
Governmental Activities						
Direction and supportive services	1,415	1,619	-	-	1,415	1,619
Protection of persons and property	6,660	6,216	-	-	6,660	6,216
Public education	14,451	14,205	-	-	14,451	14,205
Health and human services	33,880	31,634	-	-	33,880	31,634
Economic development	978	1,006	-	-	978	1,006
Transportation	5,751	5,205	-	-	5,751	5,205
Recreation and cultural enrichment	615	523	-	-	615	523
Interest	266	494	-	-	266	494
Business-Type Activities						
State lottery	-	-	4,079	3,721	4,079	3,721
State workers' insurance	-	-	313	268	313	268
Unemployment compensation	-	-	2,235	3,189	2,235	3,189
Commonwealth financing	-	-	162	190	162	190
Liquor control	-	-	1,801	1,683	1,801	1,683
Economic development and other	-	-	284	324	284	324
Total expenses	64,016	60,902	8,874	9,375	72,890	70,277
Excess/(deficiency) before transfers and special items	802	(1,307)	772	596	1,574	(711)
Transfers	127	(103)	(127)	103	-	-
Special Items	-	-	(158)	-	(158)	-
Increase (decrease) in net position	929	(1,410)	487	699	1,416	(711)
Net position-beginning	22,881	24,323	(535)	(1,199)	22,346	23,124
Restatement - Note B	(10,623)	(32)	(460)	(35)	(11,083)	(67)
Net position-ending	\$ 13,187	\$ 22,881	\$ (508)	\$ (535)	\$ 12,679	\$ 22,346

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

Charges for sales and services for the Commonwealth increased \$1,231 in total. Governmental Activities increased \$924 primarily due to an increase in unclaimed property revenues in the General Fund resulting from Act 126 of 2014 which decreased the period of time in which most types of unclaimed property revert to the Commonwealth from five years to three years. Unclaimed property revenues also increased due to a change in methodology used to calculate the estimated liability for property that is probable to be reclaimed and paid to claimants by the Commonwealth. Additionally vehicle registration, driver's licensing and other Title 75 fees increased due to Act 89 of 2013, while rent and royalty fees on oil and gas leases decreased due to various market conditions which affected the supply and demand for gas. Business-Type Activities increased \$307 primarily due to increases in unemployment compensation assessments and wine and spirit sales. Unemployment compensation assessments increased due to an increased Pennsylvania workforce resulting in increased contributions from employers and employees. The Liquor Control Board increased wine and spirit sales \$76, or 4.2%, by offering consumers a broader selection of product offerings with a greater mix of discounts.

Operating grants and contributions increased \$590 in total. Governmental Activities increased \$1,222 primarily

as a result of increased federal health and human service grants, particularly for the Medical Assistance program. These grant reimbursements increased as a direct result of the Medical Assistance program expense increases discussed in the government-wide health and human services expense analysis. Business-Type Activities decreased \$632 mainly due to a decrease in Emergency Unemployment Compensation benefits, which expired as of December 31, 2013. Due to this program status change, related federal grant revenues continued to significantly decrease throughout the year. Although these benefits have expired, some revenues are still being received including those received as the result of appeals.

Taxes and investment income net increase of \$3,087 in Governmental Activities is primarily due to increased collections and current year changes in the associated methodologies for the accrual approach used for personal and corporate income taxes, and sales and use taxes. Liquid fuels taxes also increased significantly due to the further uncapping of the oil company franchise tax in January 2015, as specified in Act 89 of 2013. More detail on the uncapping of the oil company franchise tax is provided in the analysis of the Motor License Fund.

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

Protection of persons and property expenses increased \$444 primarily due to increases in personnel benefit costs, including pension expense in the current year. The most significant personnel cost increases were for the Department of Corrections and the State Police. Offsetting these increases were reductions in grants disbursed by the Pennsylvania Emergency Management Agency (PEMA) and the Department of Insurance (DOI). PEMA grant expense decreases primarily related to disaster relief, clean-up, and repair because no new major disasters occurred during the last two years. DOI grant expenses decreased as the result of declining enrollment in the Children's Health Insurance Program (CHIP). Some insurance coverage for children previously covered under CHIP was transitioned to Department of Human Services' Medical Assistance program during the fiscal year ended June 30, 2015.

Public education expenses increased \$246 primarily due to new ready-to-learn block grants, as well as an increase in the Commonwealth's contributions for school employee pension costs.

Health and human services expenses increased \$2,246 primarily due to an increase in grants and payments to individuals issued by the Department of Human Services, particularly in the Medical Assistance program. Within the Medical Assistance program, appropriations increased significantly for capitation, inpatient service and outpatient service payments. These increases are primarily the result of increased caseloads related to poor economic conditions in recent years, increased program eligibility for children, and an increase in Medicare eligibility for an aging population. Additional factors leading to increased expenses are the costs of medical advances and medical inflation, including pharmaceutical inflation.

Transportation expenses increased \$546 primarily as a result of expensing road construction project amounts

not meeting Commonwealth asset capitalization policy requirements.

Recreation and cultural enrichment expenses increased \$92, or 17.6%, primarily due to increases in personnel benefit costs, including pension expense in the current year. The most significant personnel cost increases were for the Department of Conservation and Natural Resources (DCNR) and the Game Commission. Additionally fixed asset expenses increased due to a large acquisition of land for the Lackawanna State Forest made by the DCNR.

Business-Type Activities

State Lottery expenses increased \$358 due largely to an increase in grant and subsidy expenses to benefit older Pennsylvanians. Additionally, customer demand for higher payouts on instant tickets led to an increase in the purchase of higher price point tickets and an increase to the overall payout on instant prizes.

Unemployment Compensation (UC) program expenses decreased \$954 primarily due to an overall decline in unemployment benefit payments and claims. Refer to the Unemployment Compensation Fund analysis for additional detail.

Liquor Control Board (LCB) expenses increased \$118 largely as a result of an increase in personnel benefit expenses. Expenses for pension, self-insurance and other post-employment benefits increased \$25, \$23, and \$9, respectively. The increase for pension expense is largely due to the implementation of new pension accounting standards (GASB Statements No. 68 and No. 71). Self-insurance and other post-employment benefit expenses increased primarily as a result of increases in actuarial valuations in the current year. Additionally, cost of sales increased \$50, or 4.1%, which relates to increased wine and spirit sales as noted in the discussion on charges for sales and services.

Section D: Individual Funds Analysis

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

The General Fund, the Commonwealth's largest fund, accounts for approximately 79% of the total governmental fund type revenues and other financing sources and 79% of the total governmental fund type

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

	2015	2014
Assets:		
Cash and investments.....	\$ 3,731	\$ 3,434
Receivables, net.....	5,028	4,476
Due from other funds/governments/advances/other.....	3,623	2,814
Total assets.....	\$ 12,382	\$ 10,724
Liabilities:		
Accounts payable and tax refunds payable.....	\$ 7,056	\$ 6,259
Securities lending obligations.....	4	7
Due to other funds/governments/advances/other.....	2,110	2,353
Unearned revenue.....	31	37
Total liabilities.....	9,201	8,656
Total deferred Inflows of resources.....	2,907	2,634
Fund Balance:		
Total fund balance.....	274	(566)
Total liabilities, deferred inflows of resources and fund balance.....	\$ 12,382	\$ 10,724

Cash and investments increased \$297 primarily due to the fact that revenues and transfers in exceeded expenditures and transfers out. Details of this activity are discussed in the analysis of General Fund Revenues, Expenditures and Changes in Fund Balance.

Receivables, net increased \$552 largely due to an increase in Medicaid drug rebates receivable and an increase in taxes receivable. Medicaid drug rebates receivable increased due to an increase in invoices actively in a dispute resolution process at June 30, 2015 compared to the prior year. Taxes receivable increased as the result of new methodologies applied to the accrual approach for personal and corporate income taxes, and sales and use taxes. Changes in the tax accrual approach were implemented to improve the evaluation of taxpayer balances at the end of the reporting period, using a net reporting of taxes receivable, and an enhanced approach to the determination of uncollectible debts.

Due from other funds/governments/advances/other increased \$809 and is largely attributable to an increase of \$762 due from the federal government for the Department of Human Services' Managed Care program. Additionally there is a \$17 increase due from the federal government for the Department of Insurance's Children's Health Insurance Program. The increases in amounts due

correspond to year-over-year increases in accounts payable for the programs.

Accounts payable increased \$1,480 while **tax refunds payable** decreased \$683, for a net increase of \$797. The Accounts Payable increase is primarily due to an additional one month delay of payments from the Department of Human Services to counties and private care providers for the Managed Care program compared to the prior year. This delay in payment was the result of budgetary constraints. Tax refunds payable decreased predominantly as a result of new methodologies applied to the accrual approach for personal and corporate income taxes, and sales and use taxes. Changes in the tax accrual approach were implemented to improve the evaluation of taxpayer refund payable balances at the end of the reporting period, using a net reporting of taxes payable, and an enhanced approach to the determination of tax refunds payable.

Total fund balance increased \$840 primarily due to increases in total tax revenues, intergovernmental revenues and other income related to unclaimed properties offset by an increase in total expenditures, particularly for health and human services. Discussion of these increases follows in the analysis of General Fund Revenues, Expenditures and Changes in Fund Balance.

General Fund Revenues, Expenditures and Changes in Fund Balance

Condensed, comparative, financial information (amounts in millions)

	2015	2014
Revenues:		
Taxes, net of refunds		
Personal income.....	\$ 11,590	\$ 10,689
Sales and use.....	9,425	8,923
Corporation.....	5,243	4,086
Inheritance.....	980	860
Cigarette.....	934	948
Realty transfer.....	413	374
Gaming.....	98	93
Other.....	1,247	1,303
Total taxes, net of refunds.....	29,930	27,276
Intergovernmental.....	21,550	19,997
Charges for sales & services/licenses/fees/investment/other income.....	3,047	2,279
Total revenues.....	54,527	49,552
Expenditures:		
Direction and supportive services.....	756	902
Protection of persons and property.....	4,536	4,424
Health and human services.....	33,071	31,251
Public education.....	13,784	13,481
Recreation and cultural enrichment.....	283	261
Economic development.....	445	459
Transportation.....	44	53
Capital outlay.....	189	104
Other expenditures.....	45	25
Total expenditures.....	53,153	50,960
Revenues over (under) expenditures.....	1,374	(1,408)
Other financing sources (uses):		
Transfers in.....	690	486
Transfers out.....	(1,224)	(1,211)
Capital lease and installment purchase obligations.....	-	1
Net other financing uses.....	(534)	(724)
Net change in fund balance.....	840	(2,132)
Fund balance (deficit), beginning.....	(566)	1,566
Fund balance (deficit), ending.....	\$ 274	\$ (566)

Taxes, net of refunds increased \$2,654 primarily due to current year changes in the associated methodologies for the accrual approach used for personal and corporate income taxes, and sales and use taxes. These changes were implemented to improve the evaluation of taxpayer balances at the end of the reporting period. A portion of the increase in tax revenues is also attributable to increased collection efforts. The Department of Revenue received a \$10 increase to the budgeted amount for enhanced revenue collections, which created approximately 100 positions to increase enforcement of tax collections and reduce tax refund errors. Due to conversion issues to the new Integrated Tax System which prevented regular dunning from occurring, Corporation Tax revenues decreased in the fiscal year ended June 30, 2014. The issue has since been resolved and dunning resumed in the fiscal year ended June 30,

2015. Inheritance tax revenue increased due to a \$100 prepayment made from an estate.

Intergovernmental revenues increased \$1,553 primarily due to an approximate increase of \$1,500 in revenues collected by the Department of Human Services. Of this, approximately \$1,200 is attributable to federal reimbursements for increased expenditures related to the Medical Assistance program. The remaining \$300 is the net result of numerous increases within a wide range of programs and appropriations within the Department of Human Services.

Charges for sales and services/licenses/fees/investment and other income increased \$768 primarily due to an increase in unclaimed property revenues. Unclaimed property revenues increased primarily as a result of Act 126 of 2014 which decreased the period of time in which

most types of unclaimed property revert to the Commonwealth from five years to three years. Unclaimed property revenues also increased due to a change in methodology used to calculate the estimated liability for property that is probable to be reclaimed and paid to claimants by the Commonwealth.

Total expenditures increased \$2,193. The largest increases were in grant and subsidy payments and personnel benefit costs, reflected in the health and human services, public education, and protection of persons and property categories.

Health and human services expenditures increased \$1,820 largely due to an approximate \$1,800 increase in expenditures related to the Department of Human Services. The largest component of these increased expenditures is the Medical Assistance program, which accounted for approximately \$1,500. Within the Medical Assistance program, appropriations increased significantly for capitation, inpatient service and outpatient service payments. These increases are primarily the result of increased caseloads related to poor economic conditions in recent years, and an increase in Medicare eligibility for an aging population. Additional factors leading to increased expenditures are

the costs of medical advances and medical inflation, including pharmaceutical inflation.

Public education expenditures increased \$303 primarily attributed to new funding for the fiscal year ended June 30, 2015 for ready-to-learn block grants, as well as increased contributions for school employee pension costs. Other funding increases for special education, early intervention, pre-k, food and nutrition, and education for individuals with disabilities were offset by funding decreases for PA accountability grants and community college capital funding.

Protection of persons and property expenditures increased \$112 largely due to an increase in personnel costs, particularly the Commonwealth's employers' share of retirement contributions. This increase was offset by a decrease in federally funded grant programs administered by the Pennsylvania Emergency Management Agency and the Department of Insurance.

Transfers in increased \$204 primarily due to one-time transfers from the Machinery and Equipment Loan Fund, Small Business First Fund, and Volunteer Company Loan Fund.

Motor License Fund

Condensed, comparative, financial information (amounts in millions)

Description	2015	2014
Cash and investments.....	\$ 1,208	\$ 1,240
Other assets.....	630	602
Total assets.....	\$ 1,838	\$ 1,842
Accounts payable.....	\$ 638	\$ 536
Securities lending obligations.....	16	18
Other liabilities.....	194	164
Total liabilities.....	848	718
Total fund balance.....	990	1,124
Total liabilities and fund balance.....	\$ 1,838	\$ 1,842
Tax revenues.....	\$ 3,018	\$ 2,350
Licenses and fees.....	960	874
Intergovernmental.....	1,785	1,949
Other revenues.....	107	196
Total revenues.....	5,870	5,369
Direction and supportive services.....	19	26
Protection of persons and property.....	858	781
Transportation.....	2,643	2,225
Capital outlay.....	2,424	2,228
Other expenditures.....	5	4
Total expenditures.....	5,949	5,264
Net other financing uses.....	(55)	(45)
Net change in fund balances.....	\$ (134)	\$ 60

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

Cash and investments decreased \$32. This decrease is primarily attributable to increased expenditures which exceeded revenues.

Tax revenues increased \$668 primarily due to the passage of Act 89 of 2013. Per Act 89, the average wholesale price of all taxable liquid fuels was raised to \$2.49 from \$1.87, resulting in an increased gas tax per gallon of 9.8 cents and a 13.2 cent per gallon increase to the diesel tax. These increases went into effect January 1, 2015.

Licenses and fees increased \$86 as most Title 75 fees increased in relation to the rate of the inflation per Act

89 of 2013. Previously increased in 1997, fees for heavy trucks, motor coaches, limousines and school buses were increased in the fiscal year ended June 30, 2015 and will continue to increase incrementally through the fiscal year ending June 30, 2018 matching the rate of inflation.

Intergovernmental revenues decreased \$164 primarily due to passage of Act 89 of 2013. Act 89 substantially amended the Pennsylvania Turnpike Commission's funding obligations to the Motor License Fund under Act 44 of 2007. Funding of \$200 from the Commission previously allocated to the Motor License Fund is now allocated to support transit capital, operating, multi-modal and other non-highway programs funded through the Public Transportation Trust Fund and Multimodal Transportation Fund.

Other revenues decreased \$89 primarily due a decrease in investment income. Also Section 1904 of Act 89 of 2013 reduced the disposition of Title 75 unprotected fees allocated to the fund by an additional 2.3% in the current year. Beginning after June 30, 2017, all Section 1904 fees will be dedicated entirely to the Public Transportation Trust Fund and the Multimodal Transportation Fund.

Protection for Persons and Property expenditures increased \$77 primarily due to an increase in funding for reimbursements to the State Police relative to higher personnel costs. Also Section 9106 of Title 75 increased the funding for improving and maintaining dirt, gravel and low-volume state and municipal roads.

Transportation and Capital Outlay net increase in expenditures of \$614 is primarily attributed to a current year increase of 16% in the allocation of taxes imposed under Section 9502 of Title 75 for highway capital projects, an additional \$145 in bond funding per Section 46 of Act 89 (2013), and increased employee benefit costs.

Unemployment Compensation Fund

Condensed, comparative, financial information (amounts in millions)

Description	2015	2014
Cash and investments.....	\$ 1,152	\$ 763
Unemployment assessments receivable.....	719	705
Other assets.....	560	555
Total assets.....	2,431	2,023
Accounts payable.....	54	97
Other liabilities.....	2,532	2,937
Total liabilities.....	2,586	3,034
Total net position.....	\$ (155)	\$ (1,011)
Total operating revenues: Sales and services.....	\$ 3,074	\$ 2,901
Total operating expenses: Cost of sales and services.....	2,189	3,145
Operating income (loss).....	885	(244)
Nonoperating revenues.....	35	663
Income before transfers.....	920	419
Transfers.....	(64)	(40)
Increase in net position.....	\$ 856	\$ 379

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. These funds are drawn down to pay unemployment compensation payments to claimants as needed.

Cash and investments increased \$389 primarily due to the continued strength of the Commonwealth's unemployment compensation program and the solvency of the Unemployment Insurance Trust account. In addition to the increased collections and decrease in benefit payments, in accordance with Act 34 of 2013, Section 301.9(c), the Commonwealth was able to utilize funds associated with the Service and Infrastructure Improvement program for investing.

Other liabilities decreased \$405 as a result of UC revenue bonds being redeemed throughout the year.

Sales and services revenue is comprised of several UC components. The increase of \$173 represents an improvement in the labor market. Employer taxes remained comparatively flat, while a decrease in claims resulted in fewer state and federal drawdowns.

Cost of sales and services expense decreased \$956 primarily due to the overall decline in unemployment benefit payments and claims correlating to a decreased unemployment rate. Because of this decline, PA Child Support payments, refunds to employers and federal withholding on tax collections all decreased in the current year.

Nonoperating revenues decreased \$628 primarily due to Emergency Unemployment Compensation benefits that expired as of December 31, 2013. Due to this program status change, federal grant draws continued to significantly decrease throughout the year. Although these benefits have expired, some payments are still being made as the result of appeals.

State Workers' Insurance Fund (SWIF)

For the Fiscal Years Ended December 31
Condensed, comparative, financial information (amounts in millions)

Description	2014	2013
Cash and short-term investments.....	\$ 187	\$ 161
Long-term investments.....	1,423	1,380
Other assets.....	84	86
Total assets.....	1,694	1,627
Total deferred outflows of resources.....	2	-
Securities lending obligations.....	117	82
Unearned revenue.....	87	90
Insurance loss liability.....	1,594	1,578
Other liabilities.....	86	50
Total liabilities.....	1,884	1,800
Restatement - Note B.....	-	(33)
Net position.....	\$ (188)	\$ (206)
Sales and services.....	\$ 226	\$ 207
Provision for uncollectible accounts.....	(11)	(5)
Total operating revenues.....	215	202
Total operating expenses: Cost of sales and services.....	299	259
Operating loss.....	(84)	(57)
Investment income (loss).....	105	(9)
Investment expense.....	(3)	(4)
Net nonoperating revenue.....	102	(13)
Increase (decrease) in net position.....	\$ 18	\$ (70)

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

Cash and short-term investments increased \$26 mainly due to an increase in securities lending, as discussed below.

Long term investments increased \$43 due to favorable market conditions and higher asset values.

Securities lending obligations increased \$35 due to an increase in securities available for lending as well as increased market values of the lendable securities.

Other liabilities increased \$36 primarily due to the implementation of GASB Statements No. 68 and No. 71 related to accounting and financial reporting for

pensions. Net pension liability was \$37 as of June 30, 2015 and \$0 as of June 30, 2014.

Cost of sales and service increased \$40 mainly due to an increase in incurred losses of \$234 for the fiscal year ended December 31, 2014, from \$181 for the fiscal year ended December 31, 2013. Incurred losses increased due to higher paid losses and an unfavorable development of reserves, as a result of increased claim counts and unfavorable payment trends. This was offset by a decrease in loss adjustment expenses and other underwriting expenses.

Investment income captures the cumulative effect of changes in Net Asset Value of SWIF investments. The \$114 increase in the fair value of investments was higher due to favorable market conditions in 2014.

State Lottery Fund

Condensed, comparative, financial information (amounts in millions)

Description	2015	2014
Cash and short-term investments.....	\$ 46	\$ 263
Long-term investments.....	66	63
Other assets.....	70	76
Total assets.....	182	402
Total deferred outflows of resources.....	4	-
Accounts payable.....	392	378
Securities lending obligations.....	1	2
Other liabilities.....	90	38
Total liabilities.....	483	418
Restatement - Note B.....		(41)
Net position.....	\$ (297)	\$ (57)
Total operating revenues: Sales and services.....	\$ 3,825	\$ 3,801
Cost of sales and services.....	3,963	3,607
Other expenses.....	117	114
Total operating expenses.....	4,080	3,721
Operating income (loss).....	(255)	80
Nonoperating revenues, net.....	101	95
Income before transfers.....	(154)	175
Transfers in.....	163	167
Transfers out.....	(249)	(223)
Transfers, net.....	(86)	(56)
Increase (decrease) in net position.....	\$ (240)	\$ 119

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 decreased \$217. This decrease is primarily attributable to expenses and transfers out of the fund exceeding revenues and transfers in.

Other liabilities increased \$52 primarily due to the implementation of GASB Statements No. 68 and No. 71 related to accounting and financial reporting for pensions. Net pension liability was reported as \$49 as of June 30, 2015 and \$0 as of June 30, 2014.

Costs of sales and services increased \$356 due to several factors. Grant and subsidy expenses increased \$177 including a \$141 increase in funding for home and community-based services and \$5 for Older Pennsylvanians' Shared Rides. Grant and subsidy expenses increased \$11 for PENNCARE attributable to a \$17 increase in funding for the program. Additionally, customer demand for higher payouts on instant tickets led to an increase in the purchase of higher price point tickets. Increased purchases of higher price point instant tickets increased the overall payout on instant prizes. Implemented in fiscal year 2013, a change in the methodology for calculating the unpaid prize liability resulted in an improved account of expired instant tickets no longer subject to prize payout, thus reducing the liability. While the revised methodology was consistently applied in the current year, the previous prize liability computed using the prior methodology at

June 30, 2013 resulted in a reduction to grant and subsidy expenses accrued and reported at June 30, 2014.

Transfers out increased \$26 due to a \$25 increase in the transfer to the PACE Fund and a \$1 increase in the transfer to the Public Transportation Trust Fund.

Tuition Payment Fund

Condensed, comparative, financial information (amounts in millions)

Description	2015	2014
Cash and short-term investments.....	\$ 582	\$ 473
Long-term investments.....	1,660	1,351
Other assets.....	7	20
Total assets.....	2,249	1,844
Securities lending obligations.....	462	126
Tuition benefits payable.....	1,540	1,540
Other liabilities.....	20	22
Total liabilities.....	2,022	1,688
Net position.....	\$ 227	\$ 156
Total operating revenues: Sales and services.....	\$ 192	\$ 192
Total operating expenses: Cost of sales and services.....	223	273
Operating loss.....	(31)	(81)
Nonoperating revenues, net.....	102	208
Increase in net position.....	\$ 71	\$ 127

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. 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 \$405 attributable to an overall increase in the number of accounts of 3,337 combined with a reduction in the tuition benefits paid during 2015, as well as continued positive market value appreciation. The portfolio's return was 5.4 percent for the fiscal year

ended June 30, 2015, and 13.8 percent for the fiscal year ended June 30, 2014. The plan's positive returns decreased from the prior year due to normal market fluctuation.

Total liabilities increased \$334. The primary source of this increase is the change in securities available for lending by \$336, which increased the program's liability for 2015 by nearly the same amount. Increasing the amount available for lending serves as an income generating investment for the fund.

Total operating expenses: Cost of sales and services decreased \$50 primarily due to a decrease in tuition benefit expenses of \$51.

Non-operating revenues, net decreased \$106 largely due to a decrease in investment income.

Commonwealth Financing Authority

Condensed, comparative, financial information (amounts in millions)

Description	2015	2014
Current assets.....	\$ 809	\$ 652
Long-term assets.....	286	284
Total assets.....	1,095	936
Total deferred outflows of resources.....	2	-
Current liabilities.....	74	71
Long-term liabilities.....	1,646	1,601
Total liabilities.....	1,720	1,672
Total net position.....	\$ (623)	\$ (736)
Operating revenues, net of uncollectibles.....	\$ 11	\$ 9
Operating expenses.....	80	105
Operating loss.....	(69)	(96)
Nonoperating expenses, net.....	(81)	(84)
Loss before transfers.....	(150)	(180)
Transfers in.....	263	226
Increase in net position.....	\$ 113	\$ 46

Fund Description: The purpose of the Commonwealth Financing Authority is to provide in financial assistance 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.

Total assets increased \$159 primarily due to the issuance of bonds and transfers in related to the Act 13 and Multimodal Transportation programs, net of grant disbursements. Due to the nature of economic development grants and loans, some of which require drawdowns, funding not immediately disbursed upon Board approval is held as cash, cash equivalents, or authorized investments.

Total liabilities increased \$48 primarily due to the issuance of new bonds, net of principal payments and refunding made during the year on existing bond debt.

Operating expenses decreased \$25 primarily due to a decrease in grant disbursements. Grant expenses fluctuate from year to year based on the programs being offered, demand for the grants, and the availability of funding.

Transfers in increased \$37 due to \$39 of transfers in from the Multimodal Transportation Fund for approved Multimodal Transportation Program projects, offset by a decrease in transfers in for payment of debt service.

Section E: Budget Analysis Overview

General Fund Budgetary Basis Comparison between original budget and final budget

The Budgetary Comparison Schedule for the General Fund for the fiscal year ended June 30, 2015 is presented immediately following the Notes to Financial Statements section of the CAFR. 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 sufficient to fund all 2014-2015 supplemental appropriation requests.

The difference in total state revenues from the original to the final budget was due to a reduction of \$190 in non-tax revenues offset by an increase of \$186 in tax revenues, resulting in a net decrease of \$4.

The difference of \$81 in state program expenditures is due to the supplemental appropriations requested.

Final federal revenues and corresponding expenditures were \$209 more than originally budgeted primarily due to an increase of \$237 in the Department of Human Services, offset by a \$6 decrease in the Department of Environmental Protection, and the Department of Conservation and Natural Resources; a decrease of \$22 also occurred in the Department of Labor and Industry and the PA EHealth Partnership Authority but those were reinstated through the actual budget.

General Fund Budgetary Basis Comparison between final budgeted and actual results

In the actual budgetary basis, state program revenues were adjusted to actual revenues received by the fiscal year end, and was sufficient to fund all 2014-2015 supplemental appropriations passed on December 29, 2015 by Act 10-A, with supplemental appropriations effective as of the fiscal year ended June 30, 2015.

Actual total state revenues were \$416 more than the final budgeted state revenues primarily due to increases in both tax and non-tax revenues actually received but were offset by the \$53 increase in refunds for a net increase of \$363. The \$563 increase in departmental services is mainly attributable to authorized transfers of augmenting revenues from the Motor License Fund for state police protection of Commonwealth highways,

resulting in the net increase of \$926 in state program revenues.

The difference of \$609 in actual state program expenditures is the result of the \$563 increase available from departmental services and an increase of \$85 at final enactment offset by a \$39 lapse.

Actual Federal revenues and corresponding expenditures were \$74 more than budgeted primarily due to increases of \$52 in the Department of Human Services and the \$22 million reinstated for the Department of Labor and Industry and the PA EHealth Partnership Authority.

Section F: Capital Asset And Long-term Debt Activity

Capital Asset Overview and Explanation

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

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

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

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

Note A in the Notes to Financial Statements section of the CAFR discusses capital assets significant accounting policies.

Note E in the Notes to Financial Statements section of the CAFR provides more information on capital asset activities during the fiscal year ended June 30, 2015.

Long-term Debt Overview – fiscal year ended June 30, 2015

(Amounts in millions)

The constitution of the Commonwealth of Pennsylvania permits the incurrence of debt, without approval of the electorate, for capital projects specifically authorized in a capital budget. Capital project debt outstanding cannot exceed one and three quarters (1.75) times the average of the annual tax revenues deposited in all funds during the previous five fiscal years. The Commonwealth's constitutional debt limit, which allows for the incurrence of debt to be used for capital projects without electorate approval as specifically itemized in a capital budget, was \$63.5 billion as of August 31, 2015, with net debt outstanding after credit for refunded debt of \$10.6 billion for a remaining legal debt margin of \$52.9 billion. In addition to constitutionally authorized capital project debt, the Commonwealth may incur debt for electorate-approved programs, such as economic revitalization, land and water development, water facilities restoration, and certain environmental initiatives; and for special

purposes approved by the General Assembly, such as disaster relief.

At June 30, 2015, the Commonwealth had total General Obligation Bond principal outstanding of \$12.1 billion for the following purposes:

\$7,794	Capital Facilities Bonds
\$3,369	Refunding Bonds
\$ 923	Electorate Approved Debt (various)

During the fiscal year ended June 30, 2015, total debt service fund transfers were paid from the General Fund of \$1,052, the Motor License Fund of \$70 and the Gaming Economic Development and Tourism Fund of \$35 to make principal and interest payments to bondholders.

Note K in the Notes to Financial Statements section of the CAFR provides more details on long-term debt balances and activity.

Debt Administration – fiscal year ending June 30, 2016

(Amounts in millions)

During the fiscal year ending June 30, 2016, the Office of the Budget currently plans general obligation bond issuances, excluding refundings, amounting to \$1,281. This is a decrease of \$179 when compared to actual new money bond issuances of \$1,460, which excludes refunding issuance of \$782, during the fiscal year ended June 30, 2015. This plan represents the need to make continued investments in the Commonwealth's capital infrastructure, local capital projects and mass transportation infrastructure. Debt principal retirements of \$758 are currently planned for the fiscal year ending June 30, 2016.

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 percent 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 has not issued any such notes through January 11, 2016 but, instead, has drawn \$1,000 from a \$2,000 short-term investment line of credit agreement with the Pennsylvania Treasury Department. All amounts drawn using the line of credit must be returned with interest in the same fiscal year in which the draw occurred.

There were no debt limitations, restrictions or commitments during the fiscal year ended June 30, 2015 that may affect the Commonwealth's plans during the fiscal year ending June 30, 2016.

Section G: Currently Known Facts

Transportation Funding

Act 89 of 2013 provided dedicated additional funding for highway, bridge, public transit, local government, and other modal infrastructure systems through the incremental uncapping of the Oil Company Franchise Tax (OCFT) and the indexing of vehicle and driver services fees, traffic violation fines, surcharges and permits. Act 89 also restructured the Act 44 of 2007 Pennsylvania Turnpike Commission payment distributions. Beginning in fiscal year ended June 30, 2015, the annual \$200 highway and bridge distribution by the Pennsylvania Turnpike Commission is being redirected to transit, resulting in annual distributions to mass transit of \$450.

Additionally, Act 89 of 2013 authorized issuance of \$500 in long-term (20 year) bonds to accelerate highway and bridge projects and address the backlog of bridge and roadway needs in the Commonwealth. \$145 of the authorized \$500 was issued in the fiscal year ended June 30, 2015.

The Pennsylvania Department of Transportation (PennDOT) Public Private Partnership

PennDOT's Public Private Partnership (P3) initiative for the Rapid Bridge Replacement Project was approved in September 2013. In October 2014, Plenary Walsh Keystone Partners was selected as PennDOT's private partner. Plenary Walsh and its team of Pennsylvania-based subcontractors will manage the design, construction and subsequent maintenance of 558 bridges across the Commonwealth for 25 years after construction activities are complete under the P3 contract. All bridges are expected to be completed by December 31, 2017. PennDOT personnel will continue to perform operations and routine maintenance on the bridges, for example snow plowing, debris removal, mowing, etc. If properly designed and constructed, a bridge should not require significant maintenance during the first 25-35 years, so the contract serves as a warranty to ensure the bridges are constructed to achieve the lowest lifecycle cost of ownership.

Medicaid Expansion

On January 1, 2015, the Commonwealth implemented Medicaid expansion, which is part of the federal Affordable Care Act and is voluntary for states. Medicaid expansion is currently available to Commonwealth

citizens through the Department of Human Services' HealthChoices Medicaid plan. Federal funds will cover 100 percent of the medical costs of Medicaid expansion for calendar years 2015 to 2016, 95 percent in 2017, 94 percent in 2018, 93 percent in 2019 and 90 percent in 2020 and subsequent years.

Other Post-Employment Benefits (OPEB) Accounting and Financial Reporting Standard

On June 2, 2015 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which was preceded by GASB Statement No. 45. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for other post-employment benefits other than pensions. The statement is effective for the fiscal years beginning after June 15, 2017. Earlier application is encouraged. The statement will require the Commonwealth to report in the Statement of Net Position a potentially significant OPEB liability. As of the issuance date of this report, the Commonwealth has not prepared an estimate in accordance with GASB Statement No. 75 of the impact that reporting this OPEB liability will have on its financial statements.

Bond Ratings

On October 16, 2015 Moody's Investors Service affirmed its Aa3 rating on the Commonwealth's General Obligation bonds and changed its outlook on such bonds from stable to negative. Among other things, Moody's cited the lack of an approved budget for the fiscal year ending June 30, 2016; the tax increases included in the Governor's Executive Budget proposal have not been enacted by the Legislature; and the appropriations bills passed by the Legislature have been vetoed by the Governor.

Bond ratings and outlooks are based upon current information furnished by the Commonwealth or obtained from other sources considered reliable by the rating agencies, which do not perform any audit in connection with any rating and may, on occasion, rely on unaudited financial information.



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Basic Financial Statements

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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Government-Wide Financial Statements

Commonwealth of Pennsylvania

Statement of Net Position

June 30, 2015

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash—Note D, S.....	\$ 95,215	\$ 872,624	\$ 967,839	\$ 1,650,578
Cash with fiscal agents—Note D.....	13,353	1,102,556	1,115,909	-
Temporary investments—Note D, S.....	6,979,002	1,097,016	8,076,018	3,045,818
Receivables (net):				
Taxes—Note G.....	2,347,468	-	2,347,468	-
Unemployment assessments.....	-	719,380	719,380	-
Accounts.....	1,620,013	196,792	1,816,805	152,404
Investment income.....	6,492	14,095	20,587	5,185
Interest on notes and loans.....	-	9,758	9,758	132,406
Loans—Note G, S.....	8,033	38,448	46,481	1,488,273
Lease rentals.....	427	546	973	-
Investment sale proceeds.....	5,511	3,017	8,528	-
Other.....	128,512	10	128,522	68,126
Due from pension trust funds—Note H.....	8,499	-	8,499	-
Due from primary government—Note H.....	-	-	-	18,402
Due from component units—Note H.....	15,541	482	16,023	75
Due from Federal government.....	3,653,417	14,615	3,668,032	99,827
Due from political subdivisions.....	13,048	5,578	18,626	-
Due from other governments.....	-	26,251	26,251	-
Inventory.....	115,911	230,299	346,210	31,725
Prepaid expenses.....	-	4,386	4,386	23,372
Other assets.....	9,010	19,228	28,238	73,902
Total current assets.....	<u>15,019,452</u>	<u>4,355,081</u>	<u>19,374,533</u>	<u>6,790,093</u>
Noncurrent assets:				
Restricted cash—Note D.....	-	414,114	414,114	1,629
Long-term investments—Note D, S.....	2,715,207	3,337,203	6,052,410	2,377,272
Receivables (net):				
Taxes—Note G.....	1,408,086	-	1,408,086	-
Loans—Note G, S.....	75,293	413,852	489,145	11,778,919
Due from primary government—Note H.....	-	-	-	15,000
Due from component units—Note H.....	189,230	-	189,230	-
Non-depreciable capital assets—Note E, S:				
Land.....	2,854,909	158,805	3,013,714	386,249
Construction in progress.....	4,008,054	27,116	4,035,170	1,165,580
Depreciable or amortizable capital assets—Note E, S:				
Land improvements.....	882,044	50,553	932,597	404,636
Buildings and building improvements.....	7,511,972	398,594	7,910,566	5,160,016
Machinery and equipment.....	1,419,292	176,465	1,595,757	1,358,606
Turnpike infrastructure.....	-	-	-	7,713,188
Highway infrastructure.....	27,404,003	-	27,404,003	-
Bridge infrastructure.....	13,586,165	-	13,586,165	-
Waterway infrastructure.....	26,661	-	26,661	-
Infrastructure-other.....	197,426	-	197,426	-
Library books.....	-	-	-	540
Other capital assets.....	-	-	-	81,940
Intangible assets.....	431,365	20,076	451,441	37,571
Less: accumulated depreciation and amortization.....	(23,261,393)	(317,793)	(23,579,186)	(7,512,809)
Net depreciable or amortizable capital assets.....	<u>28,197,535</u>	<u>327,895</u>	<u>28,525,430</u>	<u>7,243,688</u>
Other assets.....	-	16,968	16,968	366,898
Total non-current assets.....	<u>39,448,314</u>	<u>4,695,953</u>	<u>44,144,267</u>	<u>23,335,235</u>
TOTAL ASSETS.....	<u>54,467,766</u>	<u>9,051,034</u>	<u>63,518,800</u>	<u>30,125,328</u>
DEFERRED OUTFLOWS OF RESOURCES				
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note F, G, I, K, S.....	<u>\$ 1,009,436</u>	<u>\$ 46,542</u>	<u>\$ 1,055,978</u>	<u>\$ 444,492</u>

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

Commonwealth of Pennsylvania

Statement of Net Position

June 30, 2015

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities.....	\$ 8,026,368	\$ 752,751	\$ 8,779,119	\$ 585,029
Investment purchases payable.....	16,627	10,692	27,319	-
Tax refunds payable.....	500,700	-	500,700	-
Tuition benefits payable—Note F.....	-	244,802	244,802	-
Securities lending obligations.....	78,825	583,332	662,157	17,395
Internal balances—Note H.....	24,656	(24,264)	392	-
Due to pension trust funds—Note H.....	142,246	1,850	144,096	-
Due to primary government—Note H.....	-	-	-	15,146
Due to component units—Note H.....	20,525	66	20,591	75
Due to political subdivisions.....	1,356,473	12,538	1,369,011	-
Due to other governments.....	44,066	16,026	60,092	1
Interest payable.....	175,510	62,392	237,902	236,031
Unearned revenue.....	123,801	98,206	222,007	125,230
Notes payable—Note S.....	-	-	-	980,779
General obligation bonds payable—Note K.....	757,455	-	757,455	-
Bonds payable—Note S.....	-	-	-	55,890
Demand revenue bonds payable—Note F.....	-	9,565	9,565	-
Revenue bonds payable—Note F, S.....	-	339,070	339,070	351,680
Capital lease/installment purchase obligations.....	-	-	-	3,461
Self insurance liabilities—Note K, M.....	176,081	8,677	184,758	8,693
Compensated absence liability—Notes F, K, S.....	154,028	7,458	161,486	20,053
Insurance loss liability—Note F.....	-	233,954	233,954	-
Other financing obligations—Note S.....	-	-	-	3,752
Other postemployment benefit obligations—Note S.....	-	-	-	293
Pollution remediation obligations—Note K.....	19,411	-	19,411	-
Other liabilities—Note K.....	211,480	25,200	236,680	279,780
Total current liabilities.....	<u>11,828,252</u>	<u>2,382,315</u>	<u>14,210,567</u>	<u>2,683,288</u>
Noncurrent liabilities:				
Tuition benefits payable—Note F.....	-	1,295,513	1,295,513	-
Due to primary government—Note H.....	-	-	-	189,230
Due to component units—Note H.....	15,000	-	15,000	-
Unearned revenue.....	-	-	-	7,099
Student loan auction rate security bonds payable—Note S.....	-	-	-	268,400
Insurance loss liability—Note F.....	-	1,360,438	1,360,438	-
Notes payable—Note S.....	-	-	-	5,909,072
General obligation bonds payable—Note K.....	12,219,076	-	12,219,076	-
Bonds payable—Note S.....	-	-	-	1,976,854
Revenue bonds payable—Note F, S.....	-	3,843,826	3,843,826	13,338,090
Capital lease/installment purchase obligations—Note K.....	110,208	-	110,208	77,732
Other financing obligations—Note J, S.....	285,740	-	285,740	35,290
Compensated absence liability—Note F, K, S.....	597,294	29,960	627,254	134,717
Self insurance liabilities—Note K, M.....	804,194	46,750	850,944	52,681
Other postemployment benefit obligations—Note I, S.....	3,012,524	107,866	3,120,390	1,067,411
Nonexchange financial guarantees—Note N.....	-	9,874	9,874	-
Pollution remediation obligations—Note K.....	203,411	-	203,411	-
Net pension liability—Note I.....	12,006,803	524,675	12,531,478	1,464,033
Other liabilities—Note K.....	944,198	267	944,465	726,655
Total non-current liabilities.....	<u>30,198,448</u>	<u>7,219,169</u>	<u>37,417,617</u>	<u>25,247,264</u>
TOTAL LIABILITIES.....	<u>42,026,700</u>	<u>9,601,484</u>	<u>51,628,184</u>	<u>27,930,552</u>
DEFERRED INFLOWS OF RESOURCES				
TOTAL DEFERRED INFLOWS OF RESOURCES—Note G, I, K, L, S.....	<u>263,968</u>	<u>4,289</u>	<u>268,257</u>	<u>314,724</u>
NET POSITION—Note C				
Net investment in capital assets.....	29,177,938	504,790	29,682,728	1,716,647
Restricted for:				
General government operations.....	35	-	35	-
Health-related programs.....	15,412	-	15,412	2,236
Transportation.....	481,202	136,802	618,004	-
Capital projects.....	-	-	-	3,697,652
Debt service.....	-	4,199	4,199	494,118
Unemployment/worker's compensation.....	405,823	-	405,823	-
Environmental and conservation programs.....	365,837	-	365,837	-
Economic development.....	-	5,256	5,256	59,022
Gaming licensing/regulation.....	502,589	-	502,589	-
Correctional industries and procurement.....	5,498	-	5,498	-
Emergency support.....	55,044	129,459	184,503	-
Higher education.....	-	226,767	226,767	464,680
Other purposes.....	24,019	116,825	140,844	1,050,022
Deficit.....	(17,846,863)	(1,632,295)	(19,479,158)	(5,159,833)
TOTAL NET POSITION.....	<u>\$ 13,186,534</u>	<u>\$ (508,197)</u>	<u>\$ 12,678,337</u>	<u>\$ 2,324,544</u>

Commonwealth of Pennsylvania
Statement of Activities
For the Fiscal Year Ended June 30, 2015
(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.....	\$ 1,415,057	\$ 975,506	\$ 57,246	\$ -	\$ (382,305)	\$ -	\$ (382,305)	\$ -
Protection of persons and property.....	6,659,818	1,350,043	778,233	5,220	(4,526,322)	-	(4,526,322)	-
Public education.....	14,451,280	5,102	1,861,567	-	(12,584,611)	-	(12,584,611)	-
Health and human services.....	33,880,187	1,819,309	18,684,933	3,127	(13,372,818)	-	(13,372,818)	-
Economic development.....	977,910	6,695	365,342	-	(605,873)	-	(605,873)	-
Transportation.....	5,751,229	1,210,668	2,272,625	23,839	(2,244,097)	-	(2,244,097)	-
Recreation and cultural enrichment.....	615,175	274,966	63,517	-	(276,692)	-	(276,692)	-
Interest.....	266,477	-	-	-	(266,477)	-	(266,477)	-
Total governmental activities.....	64,017,133	5,642,289	24,083,463	32,186	(34,259,195)	-	(34,259,195)	-
Business-type activities:								
State lottery.....	4,078,746	3,810,017	115,906	-	-	(152,823)	(152,823)	-
State workers' insurance.....	312,856	225,660	105,229	-	-	18,033	18,033	-
Tuition payment.....	226,330	191,915	105,544	-	-	71,129	71,129	-
Unemployment compensation.....	2,235,297	3,073,915	80,605	-	-	919,223	919,223	-
Commonwealth financing.....	162,358	11,083	1,535	-	-	(149,740)	(149,740)	-
Liquor control.....	1,800,698	1,880,256	430	-	-	79,988	79,988	-
Economic development and other.....	57,287	36,170	7,073	232	-	(13,812)	(13,812)	-
Total business-type activities.....	8,873,572	9,229,016	416,322	232	-	771,998	771,998	-
Total primary government.....	\$ 72,890,705	\$ 14,871,305	\$ 24,499,785	\$ 32,418	(34,259,195)	771,998	(33,487,197)	-
Component units:								
Total component units.....	\$ 5,859,284	\$ 3,267,869	\$ 1,889,764	\$ 247,418	-	-	-	(454,233)
General revenues:								
Taxes:								
Personal income.....					11,678,106	-	11,678,106	-
Sales and use.....					9,872,467	-	9,872,467	-
Corporation.....					5,195,882	-	5,195,882	-
Liquid fuels and motor carriers.....					3,017,991	-	3,017,991	-
Gaming.....					1,404,195	-	1,404,195	-
Inheritance.....					976,286	-	976,286	-
Cigarette.....					954,930	-	954,930	-
Realty transfer.....					485,275	-	485,275	-
Other.....					1,459,063	-	1,459,063	-
Total taxes.....					35,044,195	-	35,044,195	-
Investment income.....					16,072	-	16,072	-
Total general revenues.....					35,060,267	-	35,060,267	-
Special item-transfer of operations—Note H.....					-	(157,930)	(157,930)	157,930
Transfers—Note H.....					127,071	(127,071)	-	-
Net general revenues, special items and transfers.....					35,187,338	(285,001)	34,902,337	157,930
Change in net position.....					928,143	486,997	1,415,140	(296,303)
Net position, July 1, 2014 (restated)—Note B.....					12,258,391	(995,194)	11,263,197	2,620,847
Net position, June 30, 2015—Note C.....					\$ 13,186,534	\$ (508,197)	\$ 12,678,337	\$ 2,324,544

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



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Fund

Financial Statements

Commonwealth of Pennsylvania

Balance Sheet

Governmental Funds

June 30, 2015

(Amounts in thousands)

	General Fund	Motor License Fund	Nonmajor Funds	Total
ASSETS				
Assets:				
Cash—Note D.....	\$ 58,554	\$ 10,887	\$ 23,280	\$ 92,721
Cash with fiscal agents—Note D.....	13,353	-	-	13,353
Temporary investments—Note D.....	3,467,661	346,121	3,144,936	6,958,718
Long-term investments—Note D.....	191,652	850,989	1,652,859	2,695,500
Receivables (net):				
Taxes—Note G.....	3,449,412	276,942	29,200	3,755,554
Accounts.....	1,410,341	21,305	187,991	1,619,637
Investment income.....	446	28	6,012	6,486
Loans—Note G.....	83,326	-	-	83,326
Lease rentals.....	-	-	427	427
Investment sale proceeds.....	-	-	5,511	5,511
Other.....	84,400	20,226	23,886	128,512
Due from other funds—Note H.....	70,182	5,905	138,243	214,330
Due from pension trust funds—Note H.....	376	231	914	1,521
Due from component units—Note H.....	203,389	769	450	204,608
Due from Federal government.....	3,335,409	302,529	15,479	3,653,417
Due from political subdivisions.....	5,388	2,430	5,208	13,026
Advances to other funds—Note H.....	4,475	-	2,750	7,225
Other assets.....	3,000	-	-	3,000
TOTAL ASSETS.....	\$ 12,381,364	\$ 1,838,362	\$ 5,237,146	\$ 19,456,872
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 6,558,120	\$ 635,595	\$ 791,981	\$ 7,985,696
Investment purchases payable.....	-	-	16,627	16,627
Tax refunds payable.....	498,038	2,662	-	500,700
Securities lending obligations.....	3,549	15,764	59,147	78,460
Due to other funds—Note H.....	146,084	61,710	52,554	260,348
Due to component units—Note H.....	763	14,677	20,071	35,511
Due to pension trust funds—Note H.....	133,497	6,293	2,087	141,877
Due to political subdivisions.....	1,178,341	78,677	99,450	1,356,468
Due to other governments.....	12,517	30,260	1,254	44,031
Unearned revenue—Note G.....	30,804	1,520	91,477	123,801
Advances from other funds—Note H.....	68,250	2,175	2,000	72,425
Other liabilities.....	571,171	-	-	571,171
TOTAL LIABILITIES.....	9,201,134	849,333	1,136,648	11,187,115
Deferred inflows of resources:				
TOTAL DEFERRED INFLOWS OF RESOURCES - Note G..	2,906,677	481	183,781	3,090,939
Fund balances—Note C:				
Nonspendable.....	247,216	-	-	247,216
Restricted.....	36	988,548	2,768,057	3,756,641
Committed.....	1,289,298	-	1,150,596	2,439,894
Unassigned deficit.....	(1,262,997)	-	(1,936)	(1,264,933)
TOTAL FUND BALANCES.....	273,553	988,548	3,916,717	5,178,818
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 12,381,364	\$ 1,838,362	\$ 5,237,146	\$ 19,456,872

- 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, 2015

(Amounts in thousands)

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

Total Fund Balances--Governmental Funds..... \$ 5,178,818

General capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds balance sheet. (Refer to Note E.)

These assets consist of:

Land.....	\$ 2,854,909	
Land improvements.....	881,852	
Buildings and building improvements.....	7,505,751	
Machinery and equipment.....	1,317,489	
Infrastructure.....	41,214,255	
Intangible.....	431,365	
Construction in progress.....	4,008,054	
Accumulated depreciation.....	<u>(23,206,270)</u>	
Net general capital assets.....		35,007,405

Certain revenues are earned but not available at fiscal year-end and therefore are reported as deferred inflows of resources in the governmental funds balance sheet..... 3,090,939

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..... (148,745)

Other miscellaneous adjustments that are not reported in the governmental funds balance sheet but are reported in the statement of net position..... 73,510

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 42,037

The statement of net position includes inventories that are not reported in the governmental funds balance sheet because they are not current financial resources..... 98,374

Commonwealth of Pennsylvania
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2015

(Amounts in thousands)

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 and deferred inflows related to these pension obligations. (Refer to Note G and I.)..... (11,071,990)

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. (Refer to Note J and K.)

These liabilities are:

Bonds payable.....	\$ (12,976,531)	
Accrued bond interest payable.....	(175,510)	
Capital lease and installment purchase obligations.....	(109,079)	
Compensated absence liability.....	(748,697)	
Self-insurance liabilities.....	(976,692)	
Other post employment benefits.....	(3,004,236)	
Other financing obligations.....	(285,740)	
Pollution remediation obligations.....	(222,822)	
Other liabilities.....	(584,507)	
		<u>(19,083,814)</u>

Total Net Position--Governmental Activities..... \$ 13,186,534

- 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, 2015

(Amounts in thousands)

	General Fund	Motor License Fund	Nonmajor Funds	Total
REVENUES:				
Taxes, net of refunds.....	\$ 29,930,133	\$ 3,017,991	\$ 2,101,291	\$ 35,049,415
Licenses and fees.....	521,956	959,549	932,543	2,414,048
Intergovernmental.....	21,550,040	1,785,473	747,644	24,083,157
Charges for sales and services.....	2,458,961	82,432	251,918	2,793,311
Investment income.....	15,389	20,242	58,125	93,756
Interest on notes and loans.....	1,340	-	-	1,340
Other.....	49,585	4,598	385,653	439,836
TOTAL REVENUES	54,527,404	5,870,285	4,477,174	64,874,863
EXPENDITURES:				
Current:				
Direction and supportive services.....	756,400	19,186	554,121	1,329,707
Protection of persons and property.....	4,536,112	857,850	542,048	5,936,010
Health and human services.....	33,071,003	-	849,747	33,920,750
Public education.....	13,784,265	164	629,883	14,414,312
Recreation and cultural enrichment.....	282,858	4,827	256,641	544,326
Economic development.....	444,701	912	524,673	970,286
Transportation.....	44,143	2,642,804	1,409,492	4,096,439
Capital outlay.....	189,383	2,423,556	348,465	2,961,404
Debt service:				
Principal retirement.....	29,880	-	732,545	762,425
Interest and fiscal charges.....	14,392	-	548,934	563,326
TOTAL EXPENDITURES	53,153,137	5,949,299	6,396,549	65,498,985
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	1,374,267	(79,014)	(1,919,375)	(624,122)
OTHER FINANCING SOURCES (USES):				
Bonds issued.....	-	-	1,460,000	1,460,000
Refunding bonds issued.....	-	-	782,425	782,425
Premium on bonds/refunding bonds.....	-	-	318,957	318,957
Discount on bonds issued.....	-	-	(1,441)	(1,441)
Transfers in—Note H.....	689,759	20,978	1,531,553	2,242,290
Transfers out—Note H.....	(1,224,435)	(76,268)	(814,516)	(2,115,219)
Payment to refunded bond escrow agent.....	-	-	(900,849)	(900,849)
NET OTHER FINANCING SOURCES (USES)	(534,676)	(55,290)	2,376,129	1,786,163
NET CHANGE IN FUND BALANCES	839,591	(134,304)	456,754	1,162,041
FUND BALANCES, JULY 1, 2014	(566,038)	1,122,852	3,459,963	4,016,777
FUND BALANCES, JUNE 30, 2015	\$ 273,553	\$ 988,548	\$ 3,916,717	\$ 5,178,818

- 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 Statements of Activities

For the Fiscal Year Ended June 30, 2015

(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, 2015. 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..... \$ 1,162,041

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. (Refer to Note E) The current amounts were:

Capital asset acquisitions	\$ 2,961,399	
Depreciation expense and losses on retirement or sale of assets.....	(1,777,710)	
Capital lease, installment purchase and related payments.....	<u>8,616</u>	
Net excess of capital asset additions/installment purchase payments over depreciation expense.....		1,192,305

Bond proceeds provide current financial resources to governmental funds; however, issuing bonds increases general long-term liabilities in the statement of net position. During the current fiscal year, proceeds were received from:

General obligation bonds including a premium of \$198,527 and a discount of \$1,441.....	\$ (1,657,086)	
Refunding bonds, including a premium of \$120,430.....	(902,855)	
Capital lease and installment purchase acquisitions.....	<u>(864)</u>	
Total bond proceeds and capital lease and installment purchase acquisitions.....		(2,560,805)

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

Bond principal retirement.....	\$ 762,425	
Payments to refunded bond escrow agent.....	<u>900,849</u>	
Total bond principal retirement and payment to refunded bond escrow agent.....		1,663,274

Internal service funds charge the costs of certain goods and services to individual funds. The net loss of the internal service funds is reported as part of governmental activities expenses..... (4,075)

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..... (60,598)

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..... (463,999)

Net change in governmental net position in the statement of activities..... \$ 928,143

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

Commonwealth of Pennsylvania
Statement of Net Position

Proprietary Funds
 June 30, 2015

(Amounts in thousands)

	Enterprise Funds							Total	Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2014)	State Lottery Fund	Tuition Payment Fund	Commonwealth Financing Authority	Nonmajor Funds			
ASSETS									
Current assets:									
Cash—Note D.....	\$ 43,427	\$ 1,978	\$ 27,574	\$ 9,448	\$ 763,390	\$ 26,807	\$ 872,624	\$ 2,494	
Cash with fiscal agents.....	1,102,555	-	-	-	-	1	1,102,556	-	
Temporary investments—Note D.....	5,859	185,153	18,374	572,208	-	315,422	1,097,016	20,283	
Receivables (net):									
Unemployment assessments.....	719,380	-	-	-	-	-	719,380	-	
Accounts.....	105,324	73,587	16,257	-	-	1,624	196,792	384	
Investment income.....	-	9,763	22	4,299	-	11	14,095	5	
Interest on loans.....	7,470	-	-	-	1,639	649	9,758	-	
Loans—Note G.....	-	-	-	-	14,368	24,080	38,448	-	
Lease rental.....	-	-	-	-	-	546	546	-	
Investment sale proceeds.....	-	-	-	3,017	-	-	3,017	-	
Other.....	-	-	-	-	-	10	10	-	
Due from other funds—Note H.....	4,497	-	24	-	29,755	6,123	40,399	30,657	
Due from pension trust funds—Note H.....	-	-	-	-	-	-	-	6,978	
Due from component units—Note H.....	473	-	-	-	-	9	482	163	
Due from Federal government.....	1,138	-	13,234	-	-	243	14,615	-	
Due from political subdivisions.....	5,578	-	-	-	-	-	5,578	22	
Due from other governments.....	26,164	-	-	-	-	87	26,251	-	
Inventory.....	-	-	-	-	-	230,299	230,299	17,537	
Prepaid expenses.....	-	-	-	-	-	4,386	4,386	-	
Other assets.....	-	624	18,164	-	-	440	19,228	-	
Total current assets	2,021,865	271,105	93,649	588,972	809,152	610,737	4,395,480	78,523	
Noncurrent assets:									
Restricted cash.....	409,648	-	-	-	-	4,466	414,114	-	
Long-term investments—Note D.....	-	1,423,450	65,691	1,660,009	-	188,053	3,337,203	19,707	
Receivables (net):									
Loans—Note G.....	-	-	-	-	286,045	127,807	413,852	-	
Non-depreciable capital assets—Note E:									
Land.....	-	-	-	-	-	158,805	158,805	-	
Construction in progress.....	-	-	-	-	-	27,116	27,116	-	
Depreciable or amortizable capital assets—Note E:									
Land improvements.....	-	-	-	-	-	50,553	50,553	192	
Buildings and building improvements.....	-	-	-	-	-	398,594	398,594	6,221	
Machinery and equipment.....	-	1,512	74,901	-	-	100,052	176,465	101,803	
Intangible assets.....	-	-	-	-	-	20,076	20,076	-	
Less: accumulated depreciation and amortization.....	-	(1,512)	(52,249)	-	-	(264,032)	(317,793)	(55,123)	
Net depreciable or amortizable capital assets.....	-	-	22,652	-	-	305,243	327,895	53,093	
Other assets.....	-	-	-	-	-	16,968	16,968	-	
Total noncurrent assets	409,648	1,423,450	88,343	1,660,009	286,045	828,458	4,695,953	72,800	
TOTAL ASSETS	2,431,513	1,694,555	181,992	2,248,981	1,095,197	1,439,195	9,091,433	151,323	
DEFERRED OUTFLOWS OF RESOURCES									
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note F, G, I.....	-	1,589	4,144	-	2,200	38,609	46,542	3,677	

Commonwealth of Pennsylvania
Statement of Net Position

Proprietary Funds
 June 30, 2015

(Amounts in thousands)

	Enterprise Funds							Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2014)	State Lottery Fund	Tuition Payment Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	
LIABILITIES								
Current liabilities:								
Accounts payable and accrued liabilities.....	\$ 54,402	\$ 10,680	\$ 392,293	\$ 9,121	\$ -	\$ 286,255	\$ 752,751	\$ 40,678
Investment purchases payable.....	-	-	-	10,692	-	-	10,692	-
Tuition benefits payable—Note F.....	-	-	-	244,802	-	-	244,802	-
Securities lending obligations.....	-	116,695	1,217	461,937	-	3,483	583,332	365
Due to other funds—Note H.....	649	-	4,819	2	534	7,918	13,922	11,595
Due to pension trust funds—Note H.....	-	-	158	-	-	1,692	1,850	369
Due to component units—Note H.....	-	-	-	-	-	66	66	14
Due to political subdivisions.....	-	-	12,512	-	-	26	12,538	5
Due to other governments.....	12,059	-	938	-	-	3,029	16,026	35
Interest payable.....	54,842	-	-	-	7,152	398	62,392	-
Unearned revenue.....	-	87,357	7,211	-	-	3,638	98,206	-
Demand revenue bonds payable—Note F.....	9,565	-	-	-	-	-	9,565	-
Revenue bonds payable—Note F.....	269,150	-	-	-	66,225	3,695	339,070	-
Self insurance liabilities—Note M.....	1	147	221	-	-	8,308	8,677	561
Compensated absences—Note F,K.....	-	468	608	-	-	6,382	7,458	525
Insurance loss liability—Note F.....	-	233,954	-	-	-	-	233,954	-
Advances from other funds—Note H.....	-	2,213	-	-	-	-	2,213	-
Other liabilities.....	184	24,766	-	-	-	250	25,200	-
Total current liabilities.....	400,852	476,280	419,977	726,554	73,911	325,140	2,422,714	54,147
Noncurrent liabilities:								
Tuition benefits payable—Note F.....	-	-	-	1,295,513	-	-	1,295,513	-
Insurance loss liability—Note F.....	-	1,360,030	-	-	-	408	1,360,438	-
Revenue bonds payable—Note F.....	2,185,959	-	-	-	1,636,668	21,199	3,843,826	-
Installment purchase obligation—Note K.....	-	-	-	-	-	-	-	1,129
Compensated absences—Note F,K.....	-	1,872	2,434	123	-	25,531	29,960	2,100
Self insurance liabilities—Note M.....	3	793	1,193	-	-	44,761	46,750	3,022
Other postemployment benefit obligations—Note I.....	4	7,772	9,841	24	-	90,225	107,866	8,288
Nonexchange financial guarantees—Note N.....	-	-	-	-	9,874	-	9,874	-
Net pension liability—Note I.....	-	36,749	49,491	-	-	438,435	524,675	43,913
Other liabilities.....	-	-	-	-	-	267	267	-
Total noncurrent liabilities.....	2,185,966	1,407,216	62,959	1,295,660	1,646,542	620,826	7,219,169	58,452
TOTAL LIABILITIES.....	2,586,818	1,883,496	482,936	2,022,214	1,720,453	945,966	9,641,883	112,599
DEFERRED INFLOWS OF RESOURCES								
TOTAL DEFERRED INFLOWS OF RESOURCES—Note F, G, I.....	-	305	409	-	-	3,575	4,289	364
NET POSITION—Note C								
Net investment in capital assets.....	-	-	22,652	-	-	482,138	504,790	51,964
Restricted for:								
Transportation.....	-	-	-	-	-	136,802	136,802	-
Debt service.....	-	-	-	-	-	4,199	4,199	-
Economic development.....	-	-	-	-	-	5,256	5,256	-
Correctional industries and procurement.....	-	-	-	-	-	-	-	5,498
Emergency support.....	-	-	-	-	-	129,459	129,459	-
Higher Education.....	-	-	-	226,767	-	-	226,767	-
Other purposes.....	-	-	-	-	-	116,825	116,825	-
Deficit.....	(155,305)	(187,657)	(319,861)	-	(623,056)	(346,416)	(1,632,295)	(15,425)
TOTAL NET POSITION.....	\$ (155,305)	\$ (187,657)	\$ (297,209)	\$ 226,767	\$ (623,056)	\$ 528,263	\$ (508,197)	\$ 42,037

- 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 2015

(Amounts in thousands)

	Enterprise Funds							
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2014)	State Lottery Fund	Tuition Payment Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	Internal Service Funds
OPERATING REVENUES:								
Sales and services.....	\$ 3,073,915	\$ 225,424	\$ 3,825,052	\$ 191,915	\$ 259	\$ 1,899,150	\$ 9,215,715	\$ 90,739
Interest on loans.....	-	-	-	-	10,824	3,775	14,599	-
Other.....	-	236	1	-	-	89	326	-
OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS.....	3,073,915	225,660	3,825,053	191,915	11,083	1,903,014	9,230,640	90,739
Provision for uncollectible accounts.....	-	(10,552)	-	-	42	(4,277)	(14,787)	-
NET OPERATING REVENUES.....	3,073,915	215,108	3,825,053	191,915	11,125	1,898,737	9,215,853	90,739
OPERATING EXPENSES:								
Cost of sales and services.....	2,189,138	298,985	3,961,636	223,396	79,776	1,813,960	8,566,891	81,039
Depreciation and amortization.....	-	-	4,023	-	-	28,893	32,916	14,236
Other.....	-	-	113,078	-	312	5,892	119,282	-
TOTAL OPERATING EXPENSES	2,189,138	298,985	4,078,737	223,396	80,088	1,848,745	8,719,089	95,275
OPERATING INCOME (LOSS).....	884,777	(83,877)	(253,684)	(31,481)	(68,963)	49,992	496,764	(4,536)
NONOPERATING REVENUES (EXPENSES):								
Investment income.....	14,947	105,229	2,517	105,544	1,535	7,322	237,094	708
Interest expense.....	(44,497)	-	-	-	(80,941)	-	(125,438)	-
Investment expense.....	-	(3,319)	-	(2,934)	-	-	(6,253)	-
Grants and other revenues.....	65,658	-	98,353	-	-	13,593	177,604	-
Other expenses.....	(1,662)	-	(9)	-	(1,371)	(4,963)	(8,005)	(247)
NONOPERATING REVENUES (EXPENSES), NET.....	34,446	101,910	100,861	102,610	(80,777)	15,952	275,002	461
INCOME (LOSS) BEFORE TRANSFERS, CONTRIBUTIONS, AND SPECIAL ITEMS:.....	919,223	18,033	(152,823)	71,129	(149,740)	65,944	771,766	(4,075)
TRANSFERS AND CONTRIBUTIONS:								
Capital contributions.....	-	-	-	-	-	232	232	-
Transfers in—Note H.....	-	-	162,800	-	262,708	52,336	477,844	-
Transfers out—Note H.....	(63,800)	-	(249,443)	-	-	(291,672)	(604,915)	-
TRANSFERS AND CONTRIBUTIONS, NET.....	(63,800)	-	(86,643)	-	262,708	(239,104)	(126,839)	-
SPECIAL ITEM:								
Loss on transfer of operations—Note H.....	-	-	-	-	-	(157,930)	(157,930)	-
INCREASE/(DECREASE) IN NET POSITION.....	855,423	18,033	(239,466)	71,129	112,968	(331,090)	486,997	(4,075)
TOTAL NET POSITION, JULY 1, 2014 (RESTATED)-Note B..	(1,010,728)	(205,690)	(57,743)	155,638	(736,024)	859,353	(995,194)	46,112
TOTAL NET POSITION, JUNE 30, 2015.....	\$ (155,305)	\$ (187,657)	\$ (297,209)	\$ 226,767	\$ (623,056)	\$ 528,263	\$ (508,197)	\$ 42,037

- 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, 2015
 (Amounts in thousands)

	Enterprise Funds							Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2014)	State Lottery Fund	Tuition Payment Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:								
Receipts from employers.....	\$ 3,071,450	\$ 216,916	\$ -	\$ -	\$ -	\$ -	\$ 3,288,366	\$ -
Receipts from customers and participants.....	-	-	3,831,819	191,915	-	1,894,096	5,917,830	90,693
Receipts from borrowers for fees and loan repayments.....	-	-	-	-	36,280	38,761	75,041	-
Receipt of premiums.....	-	-	-	-	-	5,382	5,382	-
Payments to programs for the elderly.....	-	-	(1,250,400)	-	-	-	(1,250,400)	-
Payments to prize winners.....	-	-	(2,429,610)	-	-	-	(2,429,610)	-
Payments to participants.....	-	-	-	(215,738)	-	-	(215,738)	-
Payments to claimants.....	(2,237,279)	(220,863)	-	-	-	(808)	(2,458,950)	-
Payments to borrowers.....	-	-	-	-	(22,966)	(45,723)	(68,689)	-
Payments for vendors, employees and other costs.....	-	(63,230)	(371,637)	(2,079)	(3,704)	(1,787,829)	(2,228,479)	(82,574)
Payments of grants and loan guarantees.....	-	-	-	-	(74,299)	-	(74,299)	-
Other receipts.....	-	236	1	-	-	43	280	-
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	834,171	(66,941)	(219,827)	(25,902)	(64,689)	103,922	560,734	8,119
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:								
Net repayments under advances from other funds.....	-	(3)	-	-	-	-	(3)	-
Proceeds from other non-capital borrowings.....	-	-	-	-	196,190	-	196,190	-
Bond premium.....	-	-	-	-	25,795	-	25,795	-
Principal payments on other non-capital debt.....	(331,930)	-	-	-	(175,597)	-	(507,527)	-
Interest payments on other non-capital debt.....	(114,739)	-	-	-	(82,736)	-	(197,475)	-
Transfers in.....	-	-	162,800	-	237,106	3,100	403,006	-
Transfers out.....	(63,648)	-	(249,443)	-	-	(292,473)	(605,564)	-
Grants and other revenues.....	66,607	-	90,416	-	-	1,346	158,369	-
Other payments for non-capital financing uses.....	(1,478)	-	-	-	(1,371)	(6,695)	(9,544)	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES.....	(445,188)	(3)	3,773	-	199,387	(294,722)	(536,753)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Acquisition and construction of capital assets.....	-	-	(455)	-	-	(52,895)	(53,350)	(19,133)
Disposition of capital assets.....	-	-	-	-	-	(1,679)	(1,679)	-
Capital lease/installment purchase payments.....	-	-	-	-	-	-	-	(249)
Interest payments on other capital debt.....	-	-	-	-	-	(21)	(21)	-
Transfers in.....	-	-	-	-	-	54,582	54,582	-
Capital contributions.....	-	-	-	-	-	322	322	-
Other payments for capital and related financing uses.....	-	-	-	-	-	(6,015)	(6,015)	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....	-	-	(455)	-	-	(5,706)	(6,161)	(19,382)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Purchase of investments.....	(11,284)	(3,516,242)	(1,717,184)	(2,251,866)	-	(1,503,324)	(8,999,900)	(461,452)
Sales and maturities of investments.....	14,746	3,539,729	1,959,460	2,260,282	-	1,683,700	9,457,917	471,652
Investment income.....	14,947	42,950	1,677	23,233	1,535	4,696	89,038	452
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES.....	18,409	66,437	243,953	31,649	1,535	185,072	547,055	10,652
NET INCREASE (DECREASE) IN CASH.....	407,392	(507)	27,444	5,747	136,233	(11,434)	564,875	(611)
CASH AT JULY 1, 2014.....	1,148,238	2,485	130	3,701	627,157	42,708	1,824,419	3,105
CASH AT JUNE 30, 2015 (including \$414,114 included in restricted assets).....	\$ 1,555,630	\$ 1,978	\$ 27,574	\$ 9,448	\$ 763,390	\$ 31,274	\$ 2,389,294	\$ 2,494

Commonwealth of Pennsylvania
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Enterprise Funds							Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2014)	State Lottery Fund	Tuition Payment Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES								
Operating income (loss).....	\$ 884,777	\$ (83,877)	\$ (253,684)	\$ (31,481)	\$ (68,963)	\$ 49,992	\$ 496,764	\$ (4,536)
Depreciation and amortization of capital assets.....	-	-	4,023	-	-	28,893	32,916	14,236
Amortization of other assets.....	-	-	-	-	-	5,892	5,892	-
Provision for uncollectible accounts.....	-	10,552	-	-	(42)	4,277	14,787	-
Other adjustments.....	-	-	-	-	-	(64)	(64)	-
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:								
Unemployment assessments receivable.....	(14,762)	-	-	-	-	-	(14,762)	-
Accounts receivable.....	(149)	(13,752)	9,294	-	-	(461)	(5,068)	1,159
Interest on loans receivable.....	9,830	-	-	-	461	(42)	10,249	-
Loans receivable.....	-	-	-	-	2,082	(12,312)	(10,230)	-
Lease rental receivable.....	-	-	-	-	-	226	226	-
Due from other funds.....	(1,828)	-	2	-	-	209	(1,617)	(5,207)
Due from pension trust funds.....	3	-	-	-	-	-	3	(1,459)
Due from component units.....	141	-	-	-	-	-	141	(67)
Due from political subdivisions.....	2,388	-	-	-	-	-	2,388	(22)
Due from other governments.....	(966)	-	-	-	-	(51)	(1,017)	16
Inventory.....	-	-	-	-	-	(23,508)	(23,508)	(2,200)
Prepaid expenses.....	-	-	-	-	-	(487)	(487)	-
Other current and noncurrent assets.....	-	-	403	-	-	(3)	400	45
Deferred outflows.....	-	(1,589)	(2,425)	-	-	(21,415)	(25,429)	(1,973)
Accounts payable and accrued liabilities.....	(42,294)	682	14,469	6,257	-	(1,446)	(22,332)	(3,017)
Tuition benefits payable.....	-	-	-	(721)	-	-	(721)	-
Due to other funds.....	(1,707)	-	3,325	2	81	(1,820)	(119)	7,043
Due to pension trust funds.....	-	-	46	-	-	(394)	(348)	274
Due to component units.....	-	-	-	-	-	43	43	12
Due to political subdivisions.....	-	-	(685)	-	-	6	(679)	5
Due to other governments.....	(1,265)	-	938	-	-	(282)	(609)	3
Unearned revenue.....	-	(2,577)	(2,383)	-	-	68	(4,892)	-
Self insurance liabilities.....	(1)	(1,151)	(1,500)	-	-	18,463	15,811	807
Compensated absences.....	-	42	(19)	17	-	371	411	(58)
Insurance loss liability.....	-	16,201	-	-	-	(251)	15,950	-
Other postemployment benefit obligations.....	4	1,197	1,718	24	-	15,989	18,932	1,675
Nonexchange financial guarantees.....	-	-	-	-	1,692	-	1,692	-
Net pension liability.....	-	3,368	6,242	-	-	38,229	47,839	1,019
Other current and noncurrent liabilities.....	-	3,658	-	-	-	225	3,883	-
Deferred inflows.....	-	305	409	-	-	3,575	4,289	364
Total Adjustments.....	(50,606)	16,936	33,857	5,579	4,274	53,930	63,970	12,655
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	\$ 834,171	\$ (66,941)	\$ (219,827)	\$ (25,902)	\$ (64,689)	\$ 103,922	\$ 560,734	\$ 8,119
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:								
Increase (decrease) in fair value of investments during the fiscal year.....	\$ -	\$ 3,349	\$ 850	\$ (7,138)	\$ -	\$ (173)	\$ (3,112)	\$ 255
Increase (decrease) in investments from changes in securities lending obligations.....	-	34,812	(594)	336,000	-	(5,739)	364,479	(178)
Increase in investments from reclassification of asset previously reported as cash.....	-	-	-	-	-	557	557	-
Capital assets acquired through installment purchases.....	-	-	-	-	-	-	-	863
Capital asset acquisitions that pertain to changes in accounts payable.....	-	-	-	-	-	-	-	(1,261)
Capital asset disposals.....	-	-	(9)	-	-	(23)	(32)	(247)
Amortization of bond premium/discount (net).....	(66,833)	-	-	-	(1,942)	-	(68,775)	-
Transfers from other funds (accruals and adjust advance from other funds).....	-	-	-	-	25,602	(5,346)	20,256	-
Transfers to other funds (accruals).....	(152)	-	-	-	-	801	649	-
Amortization of deferred refunding loss.....	-	-	-	-	37	-	37	-
Correction for unreported prior fiscal year loan program net position.....	-	-	-	-	-	11,869	11,869	-
Special item loss on transfer of operations.....	-	-	-	-	-	(157,737)	(157,737)	-

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, 2015

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Fund		
		INVEST Program for Local Governments (December 31, 2014)	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash—Note D.....	\$ 232,548	\$ 515	\$ 3,589	\$ 13,499
Cash with fiscal agents.....	-	-	-	49,563
Temporary investments—Note D.....	84,574	564,800	36,031	791,864
Long-term investments—Note D.....	307,380	-	1,874,363	3,153,320
Short-term funds—Note D.....	5,142,816	-	-	-
Corporate obligations—Note D.....	2,886,182	-	-	-
Collective trust funds—Note D.....	13,102,950	-	-	-
Real estate—Note D.....	10,358,916	-	-	-
Alternative—Note D.....	18,068,406	-	-	-
Securities lending collateral—Note D.....	1,569,468	-	-	-
Asset-backed securities—Note D.....	1,339,543	-	-	-
Derivatives—Note D.....	13,113	-	-	-
Domestic equities—Note D.....	12,617,264	-	-	-
International equities—Note D.....	10,203,884	-	-	-
International private debt securities—Note D.....	231,271	-	-	-
International public debt securities—Note D.....	932,512	-	-	-
Mortgage-backed securities—Note D.....	1,374,408	-	-	-
Private placements—Note D.....	497,974	-	-	-
Repurchase agreements—Note D.....	97,483	-	-	-
U.S. Treasury obligations—Note D.....	3,274,293	-	-	-
U.S. government agency debt securities—Note D.....	513,625	-	-	-
Receivables (net):				
Taxes—Note G.....	-	-	-	45,232
Accounts.....	-	-	75	38,299
Investment income.....	207,050	-	6	13,872
Interest on notes and loans.....	575	8	-	-
Pension contributions.....	1,108,669	-	-	-
Investment sale proceeds.....	1,111,029	155,850	-	789
Other.....	20,188	-	-	-
Due from other funds—Note H.....	18,691	-	-	-
Due from pension trust funds—Note H.....	2,177	-	-	-
Due from component units—Note H.....	45,225	-	-	-
Due from political subdivisions.....	23,293	-	-	-
Due from other governments.....	24,015	-	-	-
Advances to other funds—Note H.....	-	-	-	67,500
Depreciable or amortizable capital assets:				
Machinery and equipment.....	12,632	-	-	-
Intangible assets.....	36,335	-	-	-
Less: accumulated depreciation and amortization.....	(26,153)	-	-	-
Net depreciable or amortizable capital assets.....	22,814	-	-	-
Other assets.....	-	-	-	4,275,902
TOTAL ASSETS.....	85,432,336	721,173	1,914,064	8,449,840
DEFERRED OUTFLOWS OF RESOURCES				
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note G, I.....	3,895	-	-	-
LIABILITIES				
Accounts payable and accrued liabilities.....	158,040	20	1,321	182,053
Investment purchases payable.....	569,783	156,500	377	6,813
Securities lending obligations.....	1,643,728	-	-	13,133
Due to other funds—Note H.....	2,152	-	-	-
Due to pension trust funds—Note H.....	1,004	-	-	-
Due to political subdivisions.....	-	-	-	434,691
Due to other governments.....	-	-	-	6
Interest payable.....	-	79	-	-
Compensated absence liability.....	-	-	-	493
Self insurance liabilities—Note M.....	-	-	-	193
Other postemployment benefit obligations—Note I.....	-	-	-	1,633
Net pension liability—Note I.....	47,272	-	-	9,845
Other liabilities.....	605,258	-	-	7,800,980
TOTAL LIABILITIES.....	3,027,237	156,599	1,698	8,449,840
DEFERRED INFLOWS OF RESOURCES				
TOTAL DEFERRED INFLOWS OF RESOURCES—Note G, I.....	44	-	-	-
NET POSITION				
Restricted and held in trust for:				
Pension benefits.....	78,923,299	-	-	-
Postemployment healthcare benefits.....	525,520	-	-	-
Employee salary deferrals.....	2,960,131	-	-	-
INVEST Program participants.....	-	564,574	-	-
Tuition Account Investment Program participants.....	-	-	1,876,329	-
Other.....	-	-	36,037	-
TOTAL NET POSITION.....	\$ 82,408,950	\$ 564,574	\$ 1,912,366	\$ -

- 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, 2015

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Fund INVEST Program for Local Governments (December 31, 2014)	Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Pension:			
Employer.....	\$ 4,598,079	\$ -	\$ -
Employee.....	1,761,885	-	-
Transfer in from other plans.....	114,796	-	-
Total pension contributions.....	<u>6,474,760</u>	<u>-</u>	<u>-</u>
Other.....	-	-	36,019
Total contributions.....	<u>6,474,760</u>	<u>-</u>	<u>36,019</u>
Investment income:			
Net appreciation in			
fair value of investments.....	1,826,682	-	15,115
Interest income.....	351,316	500	40,590
Dividend income.....	530,468	-	-
Rental and other income.....	899,195	-	-
Total investment activity income.....	<u>3,607,661</u>	<u>500</u>	<u>55,705</u>
Less: investment expenses			
Investment activity expense.....	(645,210)	(214)	-
Net investment earnings.....	<u>2,962,451</u>	<u>286</u>	<u>55,705</u>
Securities lending activities:			
Income.....	20,184	-	-
Expenses.....	(1,537)	-	-
Total securities lending income.....	<u>18,647</u>	<u>-</u>	<u>-</u>
Total net investment income.....	<u>2,981,098</u>	<u>286</u>	<u>55,705</u>
Share transactions (at net asset value			
of \$1.00 per share):			
Shares issued in lieu of cash distributions.....	-	246	-
Shares purchased/redeemed (net).....	-	(18,766)	139,886
Net increase in net position from share transactions.....	<u>-</u>	<u>(18,520)</u>	<u>139,886</u>
TOTAL ADDITIONS.....	<u>9,455,858</u>	<u>(18,234)</u>	<u>231,610</u>
DEDUCTIONS:			
Benefit payments.....	10,359,044	-	-
Refunds of contributions.....	30,794	-	-
Transfers to other plans.....	110,998	-	-
Administrative expenses.....	94,793	-	5,764
Other expenses.....	3,873	-	-
Distributions to participants.....	-	286	-
TOTAL DEDUCTIONS.....	<u>10,599,502</u>	<u>286</u>	<u>5,764</u>
CHANGE IN PLAN NET POSITION HELD IN TRUST FOR:			
Pension benefits.....	(1,409,429)	-	-
Postemployment healthcare benefits.....	69,161	-	-
Employee salary deferrals.....	196,624	-	-
INVEST program participants.....	-	(18,520)	-
Tuition Account Investment Program participants.....	-	-	189,809
Other.....	-	-	36,037
TOTAL CHANGE IN PLAN NET POSITION HELD IN TRUST...	<u>(1,143,644)</u>	<u>(18,520)</u>	<u>225,846</u>
Net position, July 1, 2014 (restated)—Note B.....	<u>83,552,594</u>	<u>583,094</u>	<u>1,686,520</u>
Net position, June 30, 2015.....	<u>\$ 82,408,950</u>	<u>\$ 564,574</u>	<u>\$ 1,912,366</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, 2015

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2015)	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 S.....	\$ 783,774	\$ 415,185	\$ 118,041	\$ 119,892	\$ 162,519	\$ 51,167	\$ 1,650,578
Temporary investments—Note S.....	141,054	5,025	896,781	1,118,377	604,825	279,756	3,045,818
Receivables (net):							
Accounts	52,562	-	36,421	-	60,927	2,494	152,404
Investment income.....	4,029	1,039	6	-	-	111	5,185
Interest on notes and loans.....	-	33,901	94,651	3,354	-	500	132,406
Loans—Note S.....	-	170,473	1,095,033	162,090	8,681	51,996	1,488,273
Other	-	-	-	-	67,703	423	68,126
Due from primary government—Note H.....	12,346	-	67	-	1,107	4,882	18,402
Due from component units—Note H.....	-	18	-	57	-	-	75
Due from Federal government.....	-	-	74,134	1,176	23,121	1,396	99,827
Inventory.....	18,808	-	-	-	12,270	647	31,725
Prepaid expenses.....	-	-	6,204	-	14,930	2,238	23,372
Other assets.....	-	2,187	69,349	-	2,366	-	73,902
Total current assets	<u>1,012,573</u>	<u>627,828</u>	<u>2,390,687</u>	<u>1,404,946</u>	<u>958,449</u>	<u>395,610</u>	<u>6,790,093</u>
Noncurrent assets:							
Restricted cash.....	-	-	-	-	131	1,498	1,629
Long-term investments—Note S.....	822,550	264,238	-	-	1,260,573	29,911	2,377,272
Receivables (net):							
Loans—Note S.....	-	3,235,351	5,819,102	2,356,359	33,505	334,602	11,778,919
Due from primary government—Note H.....	-	-	-	15,000	-	-	15,000
Non-depreciable capital assets—Note S							
Land.....	310,518	2,454	8,038	-	64,084	1,155	386,249
Construction in progress.....	956,984	-	-	-	198,758	9,838	1,165,580
Depreciable or amortizable capital assets—Note S							
Land improvements.....	117,331	-	-	-	285,149	2,156	404,636
Buildings and building improvements.....	936,517	31,648	73,762	-	3,357,592	760,497	5,160,016
Machinery and equipment.....	591,223	10,292	34,236	-	547,557	175,298	1,358,606
Turnpike infrastructure.....	7,713,188	-	-	-	-	-	7,713,188
Library books.....	-	-	-	-	-	540	540
Other capital assets.....	-	-	-	-	81,940	-	81,940
Intangible assets.....	-	-	37,538	-	-	33	37,571
Less: accumulated depreciation and amortization.....	(5,436,200)	(13,056)	(77,615)	-	(1,696,420)	(289,518)	(7,512,809)
Net depreciable or amortizable capital assets.....	<u>3,922,059</u>	<u>28,884</u>	<u>67,921</u>	<u>-</u>	<u>2,575,818</u>	<u>649,006</u>	<u>7,243,688</u>
Other assets.....	149,275	56,513	-	-	144,544	16,566	366,898
Total noncurrent assets	<u>6,161,386</u>	<u>3,587,440</u>	<u>5,895,061</u>	<u>2,371,359</u>	<u>4,277,413</u>	<u>1,042,576</u>	<u>23,335,235</u>
TOTAL ASSETS.....	<u>7,173,959</u>	<u>4,215,268</u>	<u>8,285,748</u>	<u>3,776,305</u>	<u>5,235,862</u>	<u>1,438,186</u>	<u>30,125,328</u>
DEFERRED OUTFLOWS OF RESOURCES							
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note S...	<u>273,894</u>	<u>35,815</u>	<u>41,961</u>	<u>631</u>	<u>73,556</u>	<u>18,635</u>	<u>444,492</u>

Commonwealth of Pennsylvania
Statement of Net Position
Discretely Presented Component Units
June 30, 2015

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2015)	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.....	191,598	13,187	140,031	1,746	221,989	16,478	585,029
Securities lending obligations.....	-	-	-	16,755	-	640	17,395
Due to primary government—Note H.....	-	19	437	14,102	338	250	15,146
Due to component units—Note H.....	-	57	-	18	-	-	75
Due to other governments.....	-	-	-	-	-	1	1
Interest payable.....	192,818	26,006	3,600	-	10,402	3,205	236,031
Unearned revenue.....	61,968	-	54	-	60,530	2,678	125,230
Notes payable—Note S.....	-	3,000	903,779	74,000	-	-	980,779
Bonds payable—Note S.....	-	-	-	-	55,890	-	55,890
Revenue bonds payable—Note S.....	238,150	110,220	-	1,790	-	1,520	351,680
Capital lease/installment purchase obligations.....	-	-	-	-	3,364	97	3,461
Self insurance liabilities.....	4,000	-	-	-	4,686	7	8,693
Compensated absences.....	8,854	-	-	104	10,670	425	20,053
Other financing obligations—Note S.....	-	-	3,745	-	-	7	3,752
Other postemployment benefit obligations—Note S.....	-	-	-	-	-	293	293
Other liabilities.....	-	84,529	69,349	-	125,698	204	279,780
Total current liabilities.....	697,388	237,018	1,120,995	108,515	493,567	25,805	2,683,288
Non-current liabilities:							
Due to primary government—Note H.....	-	-	-	189,230	-	-	189,230
Unearned revenue.....	2,926	-	-	-	4,173	-	7,099
Student loan auction rate security bonds payable—Note S.....	-	-	268,400	-	-	-	268,400
Notes payable—Note S.....	-	29,000	5,583,833	-	296,239	-	5,909,072
Bonds payable—Note S.....	-	-	-	-	1,976,854	-	1,976,854
Revenue bonds payable—Note S.....	10,197,258	2,848,846	-	71,467	-	220,519	13,338,090
Capital lease/installment purchase obligations.....	-	-	-	-	77,379	353	77,732
Other financing obligations—Note S.....	-	-	35,290	-	-	-	35,290
Compensated absences.....	7,244	-	21,007	417	103,970	2,079	134,717
Self insurance liabilities.....	34,781	-	-	-	17,864	36	52,681
Other postemployment benefit obligations—Note S.....	-	-	-	837	1,058,749	7,825	1,067,411
Net pension liability—Note I, S.....	296,271	20,397	323,866	5,163	798,744	19,592	1,464,033
Other liabilities.....	202,090	349,576	-	-	159,157	15,832	726,655
Total non-current liabilities.....	10,740,570	3,247,819	6,232,396	267,114	4,493,129	266,236	25,247,264
TOTAL LIABILITIES.....	11,437,958	3,484,837	7,353,391	375,629	4,986,696	292,041	27,930,552
DEFERRED INFLOWS OF RESOURCES							
TOTAL DEFERRED INFLOWS OF RESOURCES—Note S....	124,840	3,880	170,298	-	15,311	395	314,724
NET POSITION							
Net investment in capital assets.....	271,187	11,688	75,959	-	700,280	657,533	1,716,647
Restricted for:							
Health-related programs.....	-	-	-	-	-	2,236	2,236
Capital projects.....	269,098	-	-	3,401,307	27,247	-	3,697,652
Debt service.....	42,826	155,079	263,381	-	-	32,832	494,118
Economic development.....	-	-	-	-	-	59,022	59,022
Higher education.....	-	-	464,680	-	-	-	464,680
Other purposes.....	-	595,599	-	-	424,885	29,538	1,050,022
Unrestricted/(Deficit).....	(4,698,056)	-	-	-	(845,001)	383,224	(5,159,833)
TOTAL NET POSITION.....	\$(4,114,945)	\$ 762,366	\$ 804,020	\$ 3,401,307	\$ 307,411	\$ 1,164,385	\$ 2,324,544

- 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, 2015

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2015)	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	State System of Higher Education	Nonmajor Discretely Presented Component Units	Total
Expenses.....	\$ 1,717,812	\$ 601,021	\$ 978,609	\$ 67,872	\$ 2,351,825	\$ 142,145	\$ 5,859,284
Program revenues:							
Charges for goods and services.....	949,735	199,410	613,090	35,293	1,432,321	38,020	3,267,869
Operating grants and contributions.....	73,494	432,668	410,867	72,336	833,120	67,279	1,889,764
Capital grants and contributions.....	146,472	-	-	78,771	17,860	4,315	247,418
Total program revenues.....	1,169,701	632,078	1,023,957	186,400	2,283,301	109,614	5,405,051
Net (expense) revenue.....	(548,111)	31,057	45,348	118,528	(68,524)	(32,531)	(454,233)
Special Item:							
Gain on transfer of operations—Note H.....	-	-	-	-	-	157,930	157,930
Change in net position.....	(548,111)	31,057	45,348	118,528	(68,524)	125,399	(296,303)
Net position, July 1, 2014 (restated)—Note B,S.....	(3,566,834)	731,309	758,672	3,282,779	375,935	1,038,986	2,620,847
Net position, June 30, 2015.....	\$ (4,114,945)	\$ 762,366	\$ 804,020	\$ 3,401,307	\$ 307,411	\$ 1,164,385	\$ 2,324,544

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

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NOTE A - 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 Comprehensive Annual Financial Report (CAFR). Also note, all amounts in the CAFR 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 of Pennsylvania 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, 2015. 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 of Pennsylvania, as well as the CUs determined to be included in the Commonwealth's financial reporting entity. A fund is a self-balancing set of accounts, segregated for specific purposes. A CU is a legally separate organization, the activity of which must be included in the Commonwealth's reporting entity.

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

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

Primary Government

For financial reporting purposes, the Commonwealth of Pennsylvania 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 A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Component Units**

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

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

Blended Component Units

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

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

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

Fiduciary Fund Component Units

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

State Employees' Retirement System (SERS) - The SERS is a public employee retirement system that provides pension 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 both a defined benefit plan and a defined contribution plan. The defined benefit plan is funded through a combination of

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

employee contributions, employer contributions and investment earnings. The defined contribution plan is funded by voluntary employee contributions and investment earnings. The SERS is reported for its fiscal year ended December 31, 2014.

Public School Employees' Retirement System (PSERS) - The PSERS was created to administer and provide pension 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 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 to the PSERS, the PG guarantees the payment of all annuities and other pension benefits. This represents a compelling PG financial burden.

Discretely Presented Component Units

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

Pennsylvania Turnpike Commission (PTC) - The PTC was created to construct, maintain, and operate a turnpike system in the Commonwealth. Activities are financed through user tolls and the issuance of revenue bonds. Debt service payments are funded through user tolls. The PTC works closely with the Department of Transportation. The PG appoints all voting board members. When all the PTC bondholders have been satisfied, the PTC assets revert to the Department of Transportation, which represents a financial benefit to the PG. The Governor must approve the issuance of all PTC debt, by which the PG can impose its will. The PG is not obligated for all PTC debt, but the PG could take certain actions to satisfy bondholders. As further disclosed in Note N to the Financial Statements, the Commonwealth is contingently liable for \$983,857 of PTC debt at fiscal year-end. The PTC is reported for its fiscal year ended May 31, 2015.

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, the Secretary of Community and Economic Development, the Secretary of Human Services, and the State Treasurer serve as ex-officio members. The Governor is required to request an appropriation from the General Assembly for the PHFA whenever a deficiency exists in the capital reserve account or if additional funds are needed to avoid a default on the PHFA debt. This moral obligation represents a financial burden to the PG. The PHFA is fiscally dependent on the PG, as the Governor must approve the issuance of its debt.

Pennsylvania Higher Education Assistance Agency (PHEAA) - The PHEAA makes grants and loans to students to help fund the cost of higher education. Through June 30, 2015, lending institutions and post-secondary schools were involved in the loan program. The PG funds the PHEAA grant program; the PHEAA issues revenue bonds to fund the student loan program. Revenue bonds are repaid from student loan repayments. The PHEAA also services student loan portfolios for lending institutions and the Federal government. The PG appoints all twenty voting board members. A significant PG financial burden exists through subsidizing the PHEAA grant program; also, although the PG is not obligated for the PHEAA revenue bonds, the PG could take certain actions to satisfy bondholders. The PHEAA is fiscally dependent, as the Governor must approve the issuance of its debt.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the PENNVEST debt, but the PG could take certain actions to satisfy bondholders. Upon dissolution, the assets of the PENNVEST revert to the Commonwealth.

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

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

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

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

Philadelphia Shipyard Development Corporation (PSDC) - The PSDC was created as a nonprofit corporation to assist the PG and other governmental entities in financing a shipbuilding facility at the former Philadelphia Naval Shipyard. The PG appoints the majority of the governing board by appointing three of five voting board members. The PG also provides a significant portion of funding for the PSDC, which is a financial burden to the PG. The PSDC obtains funding from the PG and a variety of other governmental sources to fund development, construction, and job recruitment and training costs. The PSDC is reported for its fiscal year ended December 31, 2014.

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. Act 161 of 2014 transferred two enterprise funds (the Machinery and Equipment Loan Fund and the Small Business First Fund) from the PG to the PIDA. Refer to the PIDA's stand-alone financial statements disclosures for information regarding this transfer.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2015 as well as paying other periodic amounts to the PCCA, thus there is a financial burden on the PG.

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

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

Pennsylvania eHealth Partnership Authority (eHealth) - On July 5, 2012 the Governor signed Act No. 121 (Senate Bill 8, Printer's No. 2269) known as the Pennsylvania eHealth Information Technology Act, which established the Pennsylvania eHealth Partnership Fund. The fund is administered by eHealth in accordance with the Act to promote and maintain health information exchange that complies with Federal and State law. The PG appoints all fifteen members of the board and has a significant financial burden in funding eHealth.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

appoints all eleven members of the Board; the Pennsylvania Physician General, who serves as the Board chair, six members appointed by the Governor representing specific professional occupations, and four members appointed by the General Assembly. Although the Pennsylvania Department of Health approves the recommendations that will be adopted, the approval is not substantive.

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

Joint Venture

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

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

Primary Government – Fund Structure

Fund Accounting: In governmental accounting, a fund is defined as an independent fiscal and accounting entity, with a self-balancing set of accounts, recording cash and/or other resources together with all related liabilities and equities. The purpose of a fund is for carrying on specific activities or attaining certain objectives in accordance with the fund's special regulations, restrictions or limitations. In the Commonwealth, funds are established by legislative enactment or, in certain rare cases, by administrative action.

The Commonwealth transactions are recorded in three fund types: Governmental, Proprietary and Fiduciary funds. In addition, within each fund type there are various categories of funds.

The Governmental funds include two funds that qualify as major funds and the Proprietary funds include five 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Proprietary Funds

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

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

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

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

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

The **State Workers' Insurance Fund (SWIF)** was created by legislation on June 2, 1915 and operates within the Department of Labor and Industry. It is a self-sustaining fund providing workers' compensation insurance to employers, including those who are refused policies by private insurance firms. The **SWIF** is subject to underwriting rules, classifications, and rates promulgated by rating bureaus authorized by the Commonwealth Insurance Commissioner. Premium rates are established by the bureaus based on the history of accidents by industry classification. Revenues are generated by premiums charged to policyholders plus investment income. Workers' compensation payments and administration costs are paid from the **SWIF**. The **SWIF** is reported for its fiscal year ended December 31, 2014.

The **Unemployment Compensation (UC) Fund** is comprised of four basic components: the Employer Contribution Fund, the UC Benefit Payment Fund, the Special Administration Fund, and the UC Trust Fund. The purpose of these funds is to collect

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Fiduciary Funds

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

Trust and Agency Funds account for assets held by the Commonwealth in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Pension (and Other Employee Benefit) Trust Funds, an Investment Trust Fund, a Private Purpose Trust Fund, and Agency Funds.

The State Employees' Retirement System (SERS), a Pension Trust Fund, is a CU and 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 and the Deferred Compensation Fund are reported for their fiscal years ended December 31, 2014.

The Public School Employees' Retirement System (PSERS), a Pension Trust Fund, is a CU and was created to administer and provide pension benefits to public school employees in Pennsylvania.

The INVEST Program for Local Governments is an Investment Trust 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, 2014. Audited financial statements for that Program are available through the Chief Accounting Officer.

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Statutory Liquidator Fund, the largest Agency 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 Underground Storage Tank Indemnification Fund holds assets on behalf of owners and operators of underground storage tanks who incur a liability for taking corrective actions associated with underground storage tank releases.

The Medical Care Availability and Reduction of Error Fund (MCare), created by Act 13 of 2002, is used to pay claims against participating health care providers for losses or damages awarded in medical professional liability actions against them in excess of the basic insurance coverage required by the act.

The Municipal Pension Aid Fund holds a portion of casualty insurance company tax assessments, which are remitted to municipalities to help defray municipal police and fire fighter pension costs.

Measurement Focus and Basis of Accounting – Government-Wide Financial Statements

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

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

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

Expenditures are generally recognized in the fiscal year the goods or services are received and the related fund liability is

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary Funds and Fiduciary Funds

The enterprise, internal service (proprietary funds), pension (and other employee benefit) trust funds, the investment trust funds and private purpose trust funds 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 income and rents are reported as non-operating revenues by all proprietary funds. Fiduciary funds, except for agency funds, classify revenues and expenses as either additions or deductions to net position.

Agency funds, a fiduciary fund type, use the accrual basis of accounting to report assets and liabilities. Agency funds have no measurement focus and do not report operating statements.

Significant Accounting Policies

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

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

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

Temporary Investments: The Treasury Department manages the temporary investment pools. Practically all individual funds that are part of PG are participants in the temporary investment pools. Temporary investments are reported at fair value, except for the INVEST Program, which reports at amortized cost. 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.

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. Long-term investments are reported at fair value. Fair values are based on published market prices, quotations from national securities exchanges and securities pricing services, or by the respective fund managers for securities that are not actively traded. Certain pension trust fund investments, including real estate, venture capital, private equity, private placements, and alternative investments are valued based on the net asset value as reported

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

by the fund manager. In addition to long-term investments held by funds with statutory authority to own investments outside the CIP, the Treasury Department manages a long-term investment pool in which a number of individual funds participate. Income is allocated periodically to specific participating funds based on the net asset value of a fund's shares at redemption date. Income is also distributed periodically based on the net asset value of the pool and participant fund share balances on the income declaration date.

Inventories and Prepaid Expenses: Inventories of operating materials and supplies are reported by certain governmental activities. Operating and merchandise inventories are reported by Proprietary Funds and the SSHE, a DPCU. Operating materials and supplies inventories are valued at cost (first-in, first-out) and merchandise inventories are reported at the lower of cost or market. 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.

Due From Other Governments: This receivable represents amounts due primarily from the Federal government for various department programs.

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 fair market value at the time of donation. The cost of all land is reported; for other types of capital assets, the following minimum dollar reporting thresholds are used:

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

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

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

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

Buildings and building improvements.....	40 years
Improvements other than buildings.....	30 years
Machinery and equipment.....	10 years
Highway heavy equipment.....	15 years

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Highway infrastructure	25 years
Bridge infrastructure	50 years
Dams, dikes and pier infrastructure	50 years
Other infrastructure	20 years
Computer software	3 – 30 years
Trademarks, patents and copyrights.....	3 – 40 years

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

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

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

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

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

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

Compensated Absences: Employees earn annual leave, depending on length of credited service, from between 2.7 percent to 10 percent 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.

Employees earn sick leave based on an agreed upon percentage 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	11

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Obligations: In the government-wide Statement of Net Position, pollution remediation obligations are reported at the current value of expected outlays to fund remediation 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 remediation cost experience, remediation cost estimates and/or discrete cost remediation 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 activities beyond site investigation/assessment or feasibility studies have not begun, remaining remediation 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 PG and DPCUs:

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

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

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

Interfund Balances: Amounts due from/to other funds are reported for unremitted charges or collections at fiscal year-end that arise in connection with routine, ordinary governmental fund and proprietary fund operations. The composition of the Commonwealth's interfund receivables/payables at June 30, 2015 and transfers in/out during the fiscal year ended June 30, 2015 are presented in Note H. Interfund balances between two governmental funds or two proprietary funds are not reported in the Statement of Net Position.

Investment Income: Investment income includes interest, dividends, realized gains and losses, and the change in the fair value of investments, if any, during the fiscal year. If the change in the fair value of investments decreases during any specific fiscal year, such decreases could cause reported overall investment income to be negative within specific funds. Similarly, realized losses could cause reported overall investment income to be negative within specific funds. Certain investment income from specific funds' investments is assigned to another fund and is reported by the receiving fund if the income is transferred for legal or contractual reasons; otherwise, the investment income is reported as a transfer by the receiving fund. Specific fund disclosures for assigned investment income are provided in Note H.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension Costs, Liabilities and Deferred Items: In the Government-wide Statement of Net Position, the Proprietary Fund Statement of Net Position, and the Statement of Fiduciary Net Position pension liabilities are reported at their actuarial present value of projected benefit payments to periods of employee service. 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. Since the SERS and PSERS are cost-sharing, multiple-employer pension plans, the Commonwealth reports a net pension liability as required by GASB 68. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the Pension Plans (Plans) and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

Interest Expense: In the Statement of Activities, no interest expense is reported by direct program costs. No interest expense was capitalized during the fiscal year ended June 30, 2015.

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

Restricted Net Position: These amounts were determined based on enabling legislation, externally restricted by creditors, grantors, contributions or laws that provide for restrictions on how the resources of special (non-General Fund) funds may be used. At June 30, 2015, a portion of governmental activities net position was restricted based on a Federal government purpose restriction.

Governmental Funds Fund Balance Categories**Nonspendable:**

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

Spendable Categories:**Restricted:**

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

Unrestricted:

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

Assigned: Based on applicable Commonwealth laws, the Governor is responsible for accounting and financial reporting matters. Through a 1984 Executive Order, the Governor delegates this authority to the Secretary of the Budget. Through further delegation, amounts assigned are determined jointly, between the Governor's Budget Office and the Office of

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comptroller Operations. Fund balances are reported as assigned when the Commonwealth intends for resources to be used for specific purposes, but the requirements for resources to be reported as restricted or committed have not been met.

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

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

Budget Stabilization Reserve Fund: Act 91 of 2002 provided for this Fund, effective July 1, 2002, to gradually provide a budgetary reserve amounting to six percent of the revenues of the **General Fund**. 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. The enacted **General Fund** budget for the fiscal year ended June 30, 2010 provided that nearly the entire balance in this Fund was transferred to the **General Fund**; a \$755,000 transfer occurred on October 15, 2009.

As of the date of CAFR issuance, the current enacted legislation includes the Act 91 of 2002 requirement to transfer 25 percent of any **General Fund** fiscal year ending surplus, for which the amount of the transfer would be \$68,614, which is reflected in the **General Fund** budgetary comparison schedule for the fiscal year ended June 30, 2015. The current balance of the fund before the transfer is \$231. Due to the timing of Commonwealth budget related activities, additional legislation could subject the transfer to suspension.

New Accounting Pronouncements –Adopted:

The Commonwealth adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". See Note B for restatement information.

The Commonwealth adopted GASB Statement No. 69, "Government Combinations and Disposals of Government Operations". The adoption of this statement had no effect on previously reported amounts.

The Commonwealth adopted GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68". See Note B for restatement information.

New Accounting Pronouncements – To Be Adopted:

The GASB issued Statement No. 72, "Fair Value Measurement and Application" in February 2015. Statement 72 addresses accounting and financial reporting related to fair value measurements.

The GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 in June 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" in June 2015. Statement No. 74 was issued to improve the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general purpose external financial reports of state and local governments.

The GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in June 2015. The primary objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

The GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" in June 2015. Statement No. 76 identifies – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP).

The GASB issued Statement No. 77, "Tax Abatement Disclosures" in August 2015. The primary objective of statement No. 77 is to improve financial reporting by providing users information about the nature and magnitude of tax abatements.

The new standards must be adopted as follows:

GASB Statement No. 72 Effective July 1, 2015 for financial statements for fiscal year ending June 30, 2016.

GASB Statement No. 73 Effective July 1, 2015 for financial statements for fiscal year ending June 30, 2016.

GASB Statement No. 74 Effective July 1, 2016 for financial statements for fiscal year ending June 30, 2017.

GASB Statement No. 75 Effective July 1, 2017 for financial statements for fiscal year ending June 30, 2018.

GASB Statement No. 76 Effective July 1, 2015 for financial statements for fiscal year ending June 30, 2016.

GASB Statement No. 77 Effective July 1, 2016 for financial statements for fiscal year ending June 30, 2017.

The effect of these statements has not yet been determined.

NOTE B – RESTATEMENTS

Restatement Due to Adoption of New Accounting Standards

Effective July 1, 2014, the Commonwealth implemented the Governmental Accounting Standards Board's (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. GASB 68, as amended by GASB 71, established accounting and financial reporting standards for pensions that are provided to employees of state and local governmental employers through pension plans that are administered through trusts. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. The implementation of GASBS 68, as amended by GASB 71, resulted in the reporting of a pension liability and a deferred outflow of resources, therefore, the Commonwealth's beginning net position has been restated.

Presented below are the changes to the Government-wide Statement of Net Position, Proprietary Funds Statement of Net Position and the Statement of Fiduciary Net Position as a result of implementing GASB 68, as amended by GASB 71. Details of the discretely presented component unit restatements are disclosed in Note S.

Government-wide Statement of Net Position

	Governmental Activities	Business-type Activities	Total	Component Units
Net position, as previously reported, at June 30, 2014...	\$ 22,881,259	\$ (534,509)	\$ 22,346,750	\$ 3,917,127
Implementation of GASB 68 and 71.....				
General Fund	(8,664,090)	-	(8,664,090)	-
Motor License Fund	(1,211,931)	-	(1,211,931)	-
Other non-major governmental activities.....	(746,847)	-	(746,847)	-
State Workers' Insurance Fund	-	(33,381)	(33,381)	-
State Lottery Fund	-	(41,530)	(41,530)	-
Other non-major business-type activities.....	-	(385,774)	(385,774)	-
PTC - Note S.....	-	-	-	(266,379)
PHFA - Note S.....	-	-	-	(18,964)
PHEAA - Note S.....	-	-	-	(270,031)
PENNVEST - Note S.....	-	-	-	(4,250)
SSHE - Note S.....	-	-	-	(720,878)
Other non-major component units.....	-	-	-	(15,778)
Total net position, as restated, at July 1, 2014.....	\$ 12,258,391	\$ (995,194)	\$ 11,263,197	\$ 2,620,847

Proprietary Funds Statement of Net Position

	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2014)	State Lottery Fund	Tuition Payment Fund	Commonwealth Financing Authority	Nonmajor Funds	Total
Net position, as previously reported, at June 30, 2014...	\$ (1,010,728)	\$ (172,309)	\$ (16,213)	\$ 155,638	\$ (736,024)	\$ 1,245,127	\$ (534,509)
Implementation of GASB 68 and 71.....	-	(33,381)	(41,530)	-	-	(385,774)	(460,685)
Total net position, as restated, at July 1, 2014.....	\$ (1,010,728)	\$ (205,690)	\$ (57,743)	\$ 155,638	\$ (736,024)	\$ 859,353	\$ (995,194)

Internal Service
Funds

Net position, as previously reported, at June 30, 2014...	\$ 87,302
Implementation of GASB 68 and 71.....	(41,190)
Total net position, as restated, at July 1, 2014.....	\$ 46,112

Statement of Fiduciary Net Position

	Pension (and Other Employee Benefit) Trust Funds
Net position, as previously reported, at June 30, 2014...	\$ 83,594,137
Implementation of GASB 68 and 71.....	(41,543)
Total net position, as restated, at July 1, 2014.....	\$ 83,552,594

NOTE C – 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, 2015, governmental and business-type activities, respectively, reported net investment in capital assets of \$29,177,938 and \$504,790.

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, 2015, governmental and business-type activities, respectively, reported \$1,855,458 and \$619,308 of restricted net position. Net position restricted for other purposes of \$24,019 and \$116,825 for governmental activities and business-type activities, respectively, at June 30, 2015 include amounts for a range of dissimilar statutory purposes.

Unrestricted net position represents total net position less the amounts of net investment in capital assets and restricted net position. At June 30, 2015, governmental and business-type activities, respectively, reported net position deficits of \$17,846,863 and \$1,632,295.

Governmental Funds Fund Balance: Reported fund balance within individual governmental funds is categorized between nonspendable and spendable categories. At June 30, 2015 nonspendable fund balance is only reported for amounts which are not in spendable form; no nonspendable fund balance is reported based on either legal or contractual requirements to be maintained intact. Within the spendable category, fund balance is further categorized among: restricted, committed, assigned and, unassigned categories. For the **General Fund**, balances may be reported within any of the four spendable categories. However, for all other funds, all balances must be reported within the restricted, committed, or assigned categories, with the exception of a fund balance deficit, which then must be reported in the unassigned category. At June 30, 2015, spendable governmental funds fund balance is categorized among all categories except that no assigned fund balance is reported among any governmental fund for which reporting assigned fund balance would cause reporting a deficit unassigned fund balance. The following chart provides detail about reported nonspendable fund balance and fund balance restrictions and commitments at June 30, 2015:

NOTE C – 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.....	53,511	-	-	53,511
Due from component unit.....	189,230	-	-	189,230
Total nonspendable.....	247,216	-	-	247,216
Restricted for:				
General government operations.....	36	-	-	36
Health-related programs.....	-	-	15,570	15,570
Transportation.....	-	988,548	488,520	1,477,068
Unemployment/worker's compensation.....	-	-	921,382	921,382
Environmental and conservation programs.	-	-	585,191	585,191
Gaming licensing/regulation.....	-	-	624,513	624,513
Emergency support.....	-	-	56,237	56,237
Other purposes.....	-	-	76,644	76,644
Total restricted.....	36	988,548	2,768,057	3,756,641
Committed for:				
General government operations.....	979,860	-	-	979,860
Health-related programs.....	-	-	81,874	81,874
Transportation.....	-	-	38,402	38,402
Capital projects.....	-	-	984,163	984,163
Debt service.....	-	-	11,717	11,717
Elderly programs.....	38,900	-	-	38,900
Environmental and conservation programs.	104,753	-	34,440	139,193
Economic development.....	2,858	-	-	2,858
Higher education.....	10,288	-	-	10,288
Other purposes.....	152,639	-	-	152,639
Total committed.....	1,289,298	-	1,150,596	2,439,894
Unassigned:				
Deficit.....	(1,262,997)	-	(1,936)	(1,264,933)
Total fund balances.....	\$ 273,553	\$ 988,548	\$ 3,916,717	\$ 5,178,818

A portion of the nonspendable fund balance reported by the **General Fund**, \$4,475, is applicable to advances to other funds at June 30, 2015 as follows: \$2,300 to the **State Workers' Insurance Fund**, an Enterprise Fund, and \$2,175 to the **Motor License Fund**, a Special Revenue fund.

Governmental Funds Fund Balance Deficit: The Uninsured Employers' Guaranty Fund, a Special Revenue Fund, reported a fund balance deficit of \$1,936 at June 30, 2015.

NOTE C – NET POSITION AND FUND BALANCE (continued)

Proprietary Funds Net Position: Nonmajor Enterprise funds reported total restricted net position for “other purposes” of \$116,825 at June 30, 2015 for the following programs: mine subsidence insurance, \$108,968; vocational rehabilitation, \$1,960; and \$5,897 for other programs.

Proprietary Funds Net Position Deficits: In addition to net position deficits reported in four of the five major Enterprise funds (**Unemployment Compensation Fund, State Workers’ Insurance Fund, State Lottery Fund, and the Commonwealth Financing Authority**, a blended component unit), three nonmajor Enterprise funds and an Internal Service fund reported a net position deficit in the Proprietary Funds ‘Statement of Net Position’ at June 30, 2015. These Enterprise funds reported the following net position deficits at June 30, 2015: the State Stores Fund, \$321,866; the Rehabilitation Center Fund, \$15,089; and the Philadelphia Regional Port Authority (a blended component unit), \$9,461.

The Purchasing Fund, an Internal Service fund, reported a net position deficit of \$15,425 at June 30, 2015. With the Commonwealth’s implementation of GASB Statement No. 68, this fund began reporting net pension liability, causing this deficit. This liability has not yet been reflected in the rate setting processes for this fund.

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

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

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

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

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

Other Investing Organizations

Certain investing organizations have statutory authority, which is comparable to the Treasury Department 'prudent person' authority above. The investments of such organizations are accounted for in the following funds: Workers Compensation, Workers Compensation Security Trust, **State Workers Insurance Fund (SWIF)**, **Tuition Payment**, Tuition Account Investment Program, 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, 2014 unless otherwise noted.

Pension Trust Funds

The State Employees' Retirement System (SERS), the Deferred Compensation Program (DCP), the Public School Employees' Retirement System (PSERS) and the Other Post Employment Benefit Investment Pool constitute combined Pension (and Other Employee Benefit) Trust Funds reported in the basic financial statements. The Other Post-Employment Benefits Investment Pool is managed by the Treasury Department, whereas the other aforementioned trusts are managed outside the Treasury Department.

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

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. SERS and DCP are reported as of December 31, 2014.

Statutory Liquidator Fund

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

Deposit Risks

At June 30, 2015, Commonwealth bank balances of \$15,851 were subject to custodial risk because they were uninsured and uncollateralized. In addition, \$49,055 of Statutory Liquidator Fund deposits were subject to custodial deposit risk because they were uninsured and uncollateralized. 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 \$97,483 at June 30, 2015 and are under the custody of its bank which has an A-rating by Standard and Poor's (S&P) and an A3 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 \$1,102,555 which is held with the Federal Unemployment Insurance Trust Fund.

Restricted Cash

Restricted cash consists of funds held for the payment of debt service interest and principal payments of the **Unemployment Compensation Fund** and debt service interest and principal payments and other purposes of the other nonmajor funds, all of which is collateralized. At June 30, 2015, the reported carrying amount of the **Unemployment Compensation Fund** and other nonmajor funds restricted cash and cash equivalents were \$409,648 and \$4,466, respectively.

Investment Risks

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

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

Investments by Type

At June 30, 2015, the Treasury Department and other investing organizations, excluding Statutory Liquidator, Tuition Account Investment Program, SERS, DCP and PSERS, reported a total of \$19,684,555 in investments. Cash equivalents and certificates of deposit, amounting to \$2,112,354, 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 and certificates of deposits, total investments disclosed amount to \$17,572,201; of this amount, excluding equities and alternative investments (\$1,812,031 and \$894,143 respectively), fixed income investments disclosed amount to \$14,866,027. The investment types and related amounts are as follows:

INVESTMENT TYPE	Amount
Alternative Investments.....	\$ 894,143
Asset backed securities.....	80,036
Commercial paper.....	6,997,841
Corporate obligations.....	1,662,759
Equity.....	1,812,031
Money market mutual funds.....	2,353,650
Mortgage-backed securities.....	449,819
Mutual funds.....	209,938
Preferred securities.....	13,187
Private placements.....	258,271
Securities lending collateral pool.....	688,792
Sovereign debt obligations.....	39,958
State and municipal obligations.....	273,525
U.S. government agencies.....	45,766
U.S. government sponsored enterprises.....	1,261,575
U.S. Treasury obligations.....	<u>530,910</u>
Total investments	17,572,201
Cash equivalents and certificates of deposit.....	<u>2,112,354</u>
Total investments, cash equivalents and certificates of deposit.....	<u>\$ 19,684,555</u>

In addition, at June 30, 2015, all reported investments of the Tuition Account Investment Program, amounting to \$1,874,363 consist entirely of mutual funds, \$1,790,996, and money market mutual funds, \$83,367.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event a counterparty fails to uphold its agreement to a transaction, with either the Treasury Department, the other investing organizations or the Pension Trust Funds, they would not be able to recover the value of investment or collateral securities in the possession of an outside party. In accordance with a contractual relationship between the Treasury Department and its custodial agents, substantially all investments, where securities are used as evidence of the investment, are held by the custodians in book entry form in the name of the Commonwealth or the custodian. Similarly, investments of the other investing organizations and the Pension Trust Funds are almost always registered in the name of the Commonwealth, as the Treasury Department is the statutory custodian for such investments. The CFA reported at June 30, 2015 \$763,390 of deposits and disclosed that due to the nature of the cash and cash equivalents balances, there is no custodial credit risk. Also, at June 30, 2015, only the Statutory Liquidator Fund, an Agency Fund, owned investment securities subject to custodial credit risk, in the amount of \$2,597,249. 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:

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

<u>Investment Type</u>	<u>Amount</u>
Asset backed securities.....	\$ 181,471
Certificates of Deposit.....	19,855
Corporate obligations.....	1,467,503
Mortgage-backed securities.....	36,277
Preferred securities.....	1,503
Private placements.....	99,219
Sovereign obligations.....	4,946
State and municipal obligations.....	2,136
U.S. government agencies.....	119,282
U.S. Treasury obligations.....	665,057
Total.....	<u>\$ 2,597,249</u>

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The Treasury Department places a 10% limit on the concentration of investments in any one fixed income issuer within the CIP, **Tuition Payment** and INVEST Program. This limitation excludes government-sponsored enterprises (GSEs), direct obligations of the U.S. Treasury or U.S. government agencies, and repurchase agreements. The Treasury Department also places a 5% limit on the concentration of investments in one equity issuer within the CIP. Similarly, to a degree, the five other investing organizations limit exposure to concentration of credit risk. Several of the other investing organizations have adopted policies, which allow greater than 5% of portfolios to consist of securities issued by the U.S. Treasury. Among Treasury and other investing organizations, based on total portfolio value of \$17,572,201, the following concentrations existed as of June 30, 2015:

<u>Issuer Name</u>	<u>Amount</u>	<u>% of Treasury and Other Investing Organizations Portfolio</u>
Goldman Sachs.....	\$ 1,090,859	6.2%
Fidelity.....	\$ 1,047,731	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 the asset allocation to allow up to 10% of the portfolio to be in high yield investments. These investments, by definition, are not restricted to the investment grade requirements and include investments rated at Ba/BB/BB or below. Generally, the other investing organizations limit exposure to credit risk through policies, which prevents purchasing below investment grade (Baa/BBB/BBB).

At June 30, 2015, \$14,866,027 of total Treasury and other investing organization investments of \$19,684,555 are fixed income investments, susceptible to credit quality rating; the remainder is primarily equities \$1,812,031, alternative investments \$894,143, cash equivalents, certificates of deposit, and various deposit accounts of \$2,112,354. Of the Treasury amount susceptible to credit quality rating, \$11,058,458 is rated; ratings are not available for \$3,807,569 of fixed income investments:

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

<u>Moody's Investors Service</u>	<u>Amount</u>
P-1.....	\$ 472,486
Aaa.....	325,224
Aa.....	98,410
A.....	502,574
Baa.....	494,236
Ba.....	123,958
B.....	154,472
Caa.....	33,535
C.....	156
Moody's Investors Service subtotal.....	2,205,051
<u>Standard and Poor's</u>	
A-1.....	3,350,169
AAA.....	27,767
AA.....	2,120,831
A.....	132,703
BBB.....	95,298
BB.....	38,609
B.....	50,218
CCC.....	6,428
CC.....	24
D.....	64
Standard and Poor's subtotal.....	5,822,111
<u>Fitch Ratings</u>	
F-1.....	2,815,334
AAA.....	1,223
AA.....	1,680
A.....	170,142
BBB.....	35,278
BB.....	5,527
B.....	414
CCC.....	1,471
CC.....	126
C.....	87
D.....	14
Fitch Ratings subtotal.....	3,031,296
Rated subtotal.....	11,058,458
Unrated subtotal.....	3,807,569
Total fixed income investments.....	<u>\$ 14,866,027</u>

At June 30, 2015, 4% (\$415,103) of rated fixed income Treasury investments of \$11,058,458 are rated below investment grade. Approximately 26% (\$3,807,569) of the fixed income portfolio in Treasury and other investing organizations are not rated by the NRSRAs. Unrated Fixed Income Investments include securities that did not have a credit rating available from a NRSRA at June 30, 2015. 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 Baa or higher by Moody's or BBB or higher by S&P.

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

The Pension Trust Funds may expose themselves to greater credit risk than the Treasury Department or other investing organizations to meet specific investment objectives. SERS and DCP fixed income securities (at December 31, 2014), which are exposed to credit risk, are rated as follows:

<u>Moody's Investors Service^a</u>	<u>SERS</u>	<u>DCP</u>
Aaa.....	\$ 295,911	\$ 75,319
Aa.....	566,803	410,555
A.....	387,201	186,139
Baa.....	724,815	63,419
Ba and below.....	711,498	1,729
Unrated ^b	48,343	225
Short-term investments.....	1,647,734	65,068
Total.....	\$ 4,382,305	\$ 802,454

- a. 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.
- b. 'Unrated' represents securities that were either not rated or had a withdrawn rating.

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, 2015:

<u>Standard and Poor's Equivalent^a</u>	<u>Amount</u>
AAA.....	\$ 624,399
AA.....	417,854
A.....	398,294
BBB.....	693,513
BB and below.....	309,954
Unrated ^b	13,638,198
U.S. government guaranteed ^c	1,578,899
Total.....	\$ 17,661,111

- a. The S&P rating represents all the securities that fall within subcategories of the ratings shown in this table. For example, a security with a rating of A+ is shown as a rating of A in this table.
- b. 'Unrated' securities include \$8,794,411 in collective trust funds.
- c. 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 D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

The Statutory Liquidator Fund fixed income securities at June 30, 2015, which are exposed to credit risk, are rated as follows:

Moody's Investors Service	Amount
Aaa.....	\$ 269,835
Aa.....	63,389
A.....	565,884
Baa.....	545,045
Ba.....	12,962
Moody's Investors Service subtotal.....	1,457,115
Standard and Poor's	
AAA.....	70,181
AA.....	751,420
A.....	136,239
BBB.....	110,125
BB.....	826
Standard and Poor's subtotal.....	1,068,791
Fitch Ratings	
AA.....	470
A.....	34,852
BBB.....	42,842
Fitch Ratings subtotal.....	78,164
Rated subtotal.....	2,604,070
Unrated subtotal.....	501,855
Total fixed income investments.....	\$ 3,105,925

The \$3,105,925 exceeds the total of investments reported in the Statutory Liquidator Statement of Fiduciary Assets and Liabilities as it also includes certain investments included within the cash with fiscal agents and other assets classifications.

Interest Rate Risk: Interest rate risk is the risk that an investment's value will change, advantageously or adversely, due to a change in the absolute value of interest rates. The Treasury Department measures interest rate risk using duration. To limit Treasury's exposure to fair value losses arising from rising interest rates, Treasury's long-term asset allocation diversifies its fixed income core segment between intermediate duration and longer duration strategies. Duration is a measure of an investment's sensitivity to changes in interest rates. The higher the duration, the greater the changes in fair value when interest rates change. Treasury measures interest rate risk using option-adjusted duration, which takes into account embedded options affecting cash flows. Other investing organizations use less sophisticated measurements to manage interest rate risk; several limit the maximum term-to-maturity of investment purchases. Further, to avoid interest rate risk, the other organizations deliberately hold a given percentage of total investments in very short-term securities to avoid the potential need to sell such securities at a loss. At June 30, 2015, Treasury and other investing organizations' fixed income portfolio, excluding Statutory Liquidator Fund and Tuition Account Investment Program, had the following option-adjusted durations (in years) by investment type:

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

<u>Investment Type</u>	<u>Amount of Securities with Duration</u>	<u>Option-Adjusted Duration</u>	<u>Amount of Securities with no Duration</u>	<u>Total</u>
Asset backed securities.....	\$ 58,507	0.812	\$ 21,528	\$ 80,035
Commercial paper.....	6,974,655	0.264	23,186	6,997,841
Corporate obligations.....	1,469,157	5.341	193,602	1,662,759
Money market.....	2,279,481	0.083	74,169	2,353,650
Mortgage-backed securities.....	427,182	3.673	22,638	449,820
Mutual funds.....	-	-	209,938	209,938
Preferred securities.....	6,256	14.533	6,931	13,187
Private placements.....	240,001	3.740	18,270	258,271
Securities lending collateral pool.....	688,792	0.083	-	688,792
Sovereign debt obligations.....	9,977	6.139	29,981	39,958
State and municipal obligations.....	61,615	6.505	211,910	273,525
U.S. government agencies.....	35,827	4.147	9,939	45,766
U.S. government sponsored enterprises.....	1,157,582	0.578	103,993	1,261,575
U.S. Treasury obligations.....	530,910	6.091	-	530,910
Total.....	\$ 13,939,942		\$ 926,085	\$ 14,866,027

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:

<u>Investment Type</u>	<u>No Maturity Date</u>	<u>Matures in less than 1 Year</u>	<u>Matures in 1 to 5 Years</u>	<u>Matures in 6 to 10 Years</u>	<u>Matures in 11 to 20 Years</u>	<u>Matures in 21 to 30 Years</u>	<u>Matures in 31 to 40 Years</u>	<u>Matures after 40 Years</u>	<u>Total</u>
Annuity.....	\$ 1,056	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,056
Asset backed securities.....	-	-	175,139	6,332	-	-	-	-	181,471
Commonwealth investment program..	78,297	-	-	-	-	-	-	-	78,297
Corporate obligations.....	1,246	238,591	1,224,780	2,886	-	-	-	-	1,467,503
Money markets.....	354,399	-	-	-	-	-	-	-	354,399
Mortgage-backed securities.....	-	29	11,318	2,223	2,791	11,290	5,577	3,049	36,277
Preferred securities.....	-	-	1,503	-	-	-	-	-	1,503
Private placements.....	-	6,384	92,237	353	-	244	-	-	99,218
Sovereign debts.....	-	-	4,946	-	-	-	-	-	4,946
State and municipal obligations.....	-	-	2,136	-	-	-	-	-	2,136
U.S. government agencies.....	-	-	119,282	-	-	-	-	-	119,282
U.S. Treasury obligations.....	78	-	662,328	2,651	-	-	-	-	665,057
Cash & equivalents.....	74,905	-	-	-	-	20	-	-	74,925
Certificates of deposit.....	-	18,106	1,749	-	-	-	-	-	19,855
Total.....	\$ 509,981	\$ 263,110	\$ 2,295,418	\$ 14,445	\$ 2,791	\$ 11,554	\$ 5,577	\$ 3,049	\$ 3,105,925

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

	<u>Amount</u>	<u>Average Duration</u>	<u>Average Effective Maturity</u>
Vanguard Total Bond Market II Index Fund Institutional Shares.....	\$ 615,505	5.7 years	7.9 years
Vanguard Inflation-Protected Securities Fund Institutional Shares.....	41,927	8.2 years	8.7 years
Vanguard Prime Money Market Fund Institutional Shares.....	83,367	N/A	43 days

Based on specific investment objectives, the Pension Trust Funds may expose themselves to greater interest rate risk than Treasury or other investing organizations. Several investment choices, which may be selected by the DCP participants, including the Short-Term Money Market Fund, the Stable Value Account and the Aggregate 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:

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

<u>Investment Type</u>	<u>SERS Amount</u>	<u>DCP Amount</u>	<u>SERS Option- Adjusted Duration</u>	<u>DCP Option- Adjusted Duration</u>
Asset backed securities.....	\$ 328,272	\$ 80,317	3.10	2.00
Corporate obligations.....	919,501	372,157	5.70	4.30
Mortgage-backed securities.....	589,472	446,154	3.60	3.50
Other investments ^a	14,825	-	N/A	N/A
Sovereign debt obligations.....	298,930	23,096	8.00	5.50
Treasury investment pool.....	1,647,734	65,068	0.10	0.10
U.S. Treasury obligations.....	1,832,702	401,438	6.60	5.10
U.S. government sponsored enterprises.....	132,605	22,054	4.30	3.20
U.S. private placements.....	495,477	2,497	4.30	0.50
Total.....	<u>\$ 6,259,518</u>	<u>\$ 1,412,781</u>		

a. Other Investments represents certain SERS securities and the value of swaps and futures agreements as of December 31, 2014, for which the duration is not available.

PSERS:

<u>Investment Type</u>	<u>Amount</u>	<u>Option-Adjusted Duration</u>
Domestic asset-backed and mortgage-backed securities....	\$ 1,269,736	1.0
U.S. government and agency obligations.....	1,399,117	6.7
Domestic corporate and taxable municipal bonds.....	1,594,524	2.9
Collective trust funds.....	8,794,411	3.7
International fixed income.....	822,544	5.5
PSERS Short-Term Investment Fund.....	3,410,615	0.1
Total.....	<u>\$ 17,290,947</u>	

Fixed income investment managers enter into futures contracts to adjust the durations of their portfolios as a whole. In total, futures contracts have adjusted PSERS' total portfolio duration upward by 0.1 at June 30, 2015.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Within the Tuition Account Investment Program, the Vanguard Total International Stock Index Fund of \$279,217 is exposed to foreign currency risk.

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 is exposed to foreign currency risk primarily for equity securities at December 31, 2014 as follows:

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

<u>Foreign Currency</u>	<u>Short-Term</u>				<u>Alternative Investments</u>	<u>Total</u>
	<u>Investments^a</u>	<u>Fixed income</u>	<u>Equities</u>	<u>Real Estate</u>		
Euro.....	\$ 2,615	\$ 16,776	\$ 955,217	\$ 21,141	\$ 690,422	\$ 1,686,171
British pound sterling.....	2,079	43,952	690,845	20,281	14,774	771,931
Japanese yen.....	3,564	1,819	571,691	43,544	-	620,618
Swiss franc.....	2,336	-	368,363	1,263	-	371,962
Hong Kong dollar.....	(292)	-	314,929	21,023	-	335,660
Australian dollar.....	1,044	10,218	163,696	16,230	-	191,188
Canadian dollar.....	453	12,551	163,982	983	-	177,969
South Korean won.....	1,014	-	130,127	-	-	131,141
Swedish krona.....	(276)	851	71,523	996	22,246	95,340
New Taiwan dollar.....	788	-	87,015	-	-	87,803
Mexican peso.....	107	27,631	22,797	22,451	-	72,986
Singapore dollar.....	197	-	56,149	10,951	-	67,297
Brazilian real.....	632	8,543	46,325	-	-	55,500
Danish krone.....	4	273	46,282	-	-	46,559
South African rand.....	296	6,779	37,309	-	-	44,384
Norwegian krone.....	30	-	34,047	-	-	34,077
Indonesian rupiah.....	183	8,234	14,164	-	-	22,581
Thai baht.....	28	-	18,681	-	-	18,709
Chilean peso.....	16	14,822	2,790	-	-	17,628
Malaysian ringgit.....	44	3,788	12,350	-	-	16,182
Turkish lira.....	21	623	14,346	-	-	14,990
Hungarian forint.....	107	7,358	4,449	-	-	11,914
Other currencies (9).....	1,356	11,397	23,868	-	-	36,621
Total.....	\$ 16,346	\$ 175,615	\$ 3,850,945	\$ 158,863	\$ 727,442	\$ 4,929,211

a. Includes receivables and payables as of December 31, 2014 for securities sold and purchased.

One of several investing choices that may be selected by the DCP participants is the European, Australian and Far East (EAFE) Equity Index Fund, which owns international equities and is managed by an external manager. The EAFE Equity Index Fund within the DCP seeks to track the more than 1,000 foreign stocks representing established companies in 21 countries located in Western Europe and the Pacific Rim that are a part of the Morgan Stanley Capital International EAFE Index. At December 31, 2014, the DCP had the following currency exposures related to equity securities:

<u>Foreign Currency</u>	<u>Fair Value</u>
Euro.....	\$ 45,434
British pound sterling.....	31,662
Japanese yen.....	31,901
Swiss franc.....	14,000
Australian dollar.....	11,248
Swedish krona.....	4,609
Hong Kong dollar.....	4,681
Singapore dollar.....	2,343
Danish krone.....	2,258
Norwegian krone.....	973
New Israeli shekel.....	861
New Zealand dollar.....	211
Total.....	\$ 150,181

NOTE D – 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:

<u>Foreign Currency</u>	<u>Equities</u>	<u>Fixed income</u>	<u>Alternative Investments and Real Estate</u>	<u>Short-term^a</u>	<u>Currency Hedge</u>	<u>Total</u>
Euro.....	\$ 1,134,258	\$ 106,466	\$ 2,163,559	\$ 32,433	\$ (2,069,019)	\$ 1,367,697
South Korean won.....	123,179	37,570	-	241	(5,305)	155,685
British pound sterling.....	1,137,744	35,406	60,984	45,979	(1,154,757)	125,356
Taiwan new dollar.....	107,355	-	-	(2)	(1,188)	106,165
South African rand.....	59,842	40,085	-	262	(1,757)	98,432
Mexican new peso.....	23,208	49,808	-	9,664	75	82,755
Indian rupee.....	69,658	7,933	-	-	-	77,591
Brazil real.....	26,411	65,829	-	952	(18,192)	75,000
Hong Kong dollar.....	237,528	-	-	2,549	(176,248)	63,829
Other currencies.....	2,861,729	277,629	38	77,944	(3,130,990)	86,350
Total.....	\$ 5,780,912	\$ 620,726	\$ 2,224,581	\$ 170,022	\$ (6,557,381)	\$ 2,238,860

a. Includes investment receivables and payables.

Securities Lending Program

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

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

To the extent collateral received consists of cash, the lending agent may use or invest the cash in accordance with reinvestment guidelines approved by the Treasury Department. At June 30, 2015, 100% of the collateral was invested in repurchase agreements. Either the participant or the borrower may terminate lending agreements on demand. Lending agreements are typically of very short duration, usually overnight. Therefore, the duration of lending agreements do not 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 lending agreements among program participants.

The program requires that the lending agent indemnify the Treasury Department for all claims, liabilities and costs resulting from the lending agent's negligence or intentional misconduct. During the fiscal year ended June 30, 2015, 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 D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

At June 30, 2015, 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.				
		U.S. Treasury Obligations	Government Sponsored Enterprises	Corporate Obligations	Equities	Exchange Traded
Deferred Compensation Program.....	\$ 78	\$ -	\$ -	\$ 78	\$ -	\$ -
State Employees' Retirement System.....	459,593	68,835	9,488	56,272	324,998	-
Public School Employees' Retirement System.....	314	-	-	-	314	-
Underground Storage Tank Indemnification Fund....	9,952	995	-	2,294	-	6,663
Workers' Compensation Security Trust Fund.....	41,690	532	-	9,875	669	30,614
State Workers' Insurance Fund.....	114,264	96,721	-	8,638	7,773	1,132
Other Postemployment Benefits Investment Pool..	72,779	-	-	-	-	72,779
Commonwealth Investment Program.....	62,856	2,062	3,792	10,709	-	46,293
Tuition Payment Fund.....	453,418	14,542	-	3,014	7,384	428,478

Public School Employees' Retirement System (PSERS)

During the year ended June 30, 2015, the PSERS entered into 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 except for non-U.S. corporations for which 105% of the fair value is required. 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. As of June 30, 2015, the PSERS had no credit risk exposure to borrowers because the amounts the PSERS owed the borrowers exceeded the amounts the borrowers owed the PSERS. Under the securities lending program, the lending agent provides indemnification to the PSERS 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 PSERS if investment of cash collateral results in investment loss. There were no losses during the fiscal year ended June 30, 2015 resulting from a default of the borrowers or the lending agent. All securities loans can be terminated on demand by either the PSERS or the borrower, although the average term of the loan is one day. There were no term loans as of June 30, 2015.

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's income from securities lending represents its pro-rata share from participating in the program. The weighted-average maturity of the investments in the pool was one day at June 30, 2015. During the fiscal year ended June 30, 2015, 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 PSERS. In the event of a default, the lending agent may use the collateral to replace the loaned securities. As of June 30, 2015, the fair value of loaned securities was \$1,179,064. The fair value of the associated collateral was \$1,207,170, all of which was cash.

Derivative and Other Similar Investments

State Employees' Retirement System (SERS)

Within narrowly prescribed guidelines, the SERS permits investment advisors to enter into certain derivative and structured financial instruments primarily to enhance the performance and reduce the volatility of its portfolio. Typically, investment managers enter into foreign exchange contracts to make payment for international investments and to hedge currency risk, futures contracts to gain exposure to manage interest rate risk, and swaps to more efficiently gain investment exposure in the equity and credit markets.

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. As of December 31, 2014, the SERS' counterparty credit risk was not significant. The SERS mitigates its legal risk on investment holdings including derivatives by ensuring that all of its legal requirements (indemnification, sovereign immunity, jurisdiction, etc.) are acknowledged and agreed to in all of the derivatives agreements that it is subject to.

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

The SERS managers also indirectly hold foreign exchange contracts, futures contracts, and certain swap contracts through its investments in commingled funds and hedge funds. These funds invest in instruments directly and indirectly through a securities lending collateral pool, to gain foreign exchange exposure, to synthetically create equity-like returns, and to manage interest rate risk by altering the average life of the portfolio.

Foreign exchange contracts are agreements to exchange the currency of one country for the currency of another country at an agreed upon price and settlement date. The investment manager uses these contracts primarily for its international investments to settle pending trades that occur more than two business days after trade date. The contracts are used by the investment manager for the purpose of eliminating foreign exchange risk. As a matter of policy, the investment managers enter into these contracts at their full discretion to protect currency fluctuations. To reduce the risk of counterparty nonperformance, the investment managers generally enter into these contracts with institutions regarded as meeting high standards of credit worthiness. The unrealized gain/loss on contracts is included in the SERS net position and represents the fair value of the contracts on December 31. At December 31, 2014, the SERS had contracts to purchase and sell, by major foreign currency, as follows:

Foreign Currency	Purchase Contracts	Unrealized Gain/(Loss)	Sell Contracts	Unrealized Gain/(Loss)
Chilean peso.....	\$ 14,822	\$ (553)	\$ 15	\$ -
Australian dollar.....	9,538	(253)	28,380	2,578
Indian rupee.....	9,033	(83)	-	-
South Korean won.....	8,677	(280)	8,677	89
Euro.....	4,063	(89)	26,651	959
Norwegian krone.....	3,660	(131)	6,315	1,512
Mexican peso.....	2,657	(25)	2,669	122
British pound sterling.....	2,021	7	3,089	11
Canadian dollar.....	905	5	-	-
Colombian peso.....	640	2	1,279	20
Swiss franc.....	222	(1)	19,671	461
Polish zloty.....	96	-	4,334	253
New Zealand dollar.....	-	-	6,726	211
Other currencies (6).....	1,133	(2)	1,009	-
Total.....	\$ 57,467	\$ (1,403)	\$ 108,815	\$ 6,216

Futures contracts are standardized, exchange-traded contracts to purchase or sell a specific financial instrument at a predetermined 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. The exchange assumes the risk that the counterparty will not pay and generally requires margin payments to minimize such risk. Futures are generally used to achieve the desired market exposure of a security or index to rebalance the total portfolio. The SERS exposure to futures contracts was not significant at December 31, 2014.

Swap agreements provide for periodic payments between parties based on the change in value of underlying assets, indexes, rates, and credit worthiness. The SERS uses contracts with multiple counterparties as well as collateral posting requirements to manage its counterparty credit risk. Credit default swaps are agreements with counterparties to either purchase or sell credit protection. The SERS managers use credit default swaps to either increase or decrease credit exposure to certain credit markets. Interest rate swaps are over-the-counter contracts that allow counterparties to exchange a fixed rate liability for a floating rate liability or vice versa. The SERS managers use interest rate swaps as a cost-effective way of gaining exposure to certain sectors of the fixed income market. The SERS' exposure to swap agreements was not significant at December 31, 2014.

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

Deferred Compensation Program (DCP)

The DCP, through the Mellon Capital Management (MCM) managed accounts, indirectly holds certain derivative financial instruments. The derivatives most commonly used by MCM include forwards, futures, options, and swaps. MCM may take long or short positions in derivative instruments for various purposes. The notional value of these instruments is not significant as of December 31, 2014.

Certain collective funds may utilize exchange-traded and over-the-counter (OTC) derivative instruments including, but not limited to, fixed income, equity, currency and commodity futures, exchange-traded and OTC options, swaps, and currency forwards. MCM has instituted policies and procedures designed to ensure that derivative transactions are in keeping with the overall strategy and that such transactions are properly reviewed and monitored. MCM has also established restrictions and processes to assist with minimizing the impact of liquidity risk and credit risk in the context of the collective fund's total portfolio. Counterparty risk is controlled through regular credit evaluations and approvals, along with guidelines and procedures designed to limit the impact of counterparty risk.

Public School Employees' Retirement System (PSERS)

The PSERS enters into a variety of financial contracts, which include options and futures. The PSERS 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 reduce the volatility of the portfolio. The PSERS is exposed to credit risk in the event of non-performance by counterparties to financial instruments. The PSERS generally enters into transactions only with high quality institutions. Legal risk is mitigated through selection of executing brokers and review of all documentation. The PSERS is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by senior management, through buying or selling instruments or entering into offsetting positions. The notional or contractual amounts of derivatives indicate the extent of PSERS' involvement in the various types and uses of derivative financial instruments and do not measure the PSERS' exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

The following table summarizes the aggregate notional or contractual amounts for the PSERS' derivative financial instruments at June 30, 2015:

<u>Type of Derivative</u>	<u>Notional Value</u>
Futures contracts - long.....	\$ 3,931,380
Futures contracts - short.....	51,549
Foreign exchange forward and spot contracts, gross.....	8,302,553
Swaps - total return type.....	4,224,789

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, 2015 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

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

option purchaser chooses to exercise the option. The PSERS generally uses exchange listed currency, index, stock, and futures options. The PSERS held no option positions at June 30, 2015.

Foreign exchange contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. To reduce the risk of counterparty non-performance, the investment managers generally enter into these contracts with institutions regarded as meeting high standards of credit worthiness. The contracts reported primarily include forwards. The \$8,302,553 of foreign currency contracts outstanding at June 30, 2015 consist of “buy” contracts, which represent the U.S. dollar equivalents of commitments to purchase foreign currencies of \$906,950 and “sell” contracts, which represent U.S. dollar equivalents of commitments to sell foreign currencies of \$7,395,603. The unrealized loss on contracts of \$24,982 at June 30, 2015 is included in the Statement of Fiduciary Net Position and represents the fair value of the contracts.

Swap agreements provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes, or interest rates. During the year ended June 30, 2015 the PSERS entered into total return type swaps. Under the total return type swap arrangements, the PSERS receives the net return of certain equity 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 \$18,000 at June 30, 2015 is included in the Statement of Fiduciary Net Position and represents the fair value of the contracts. The contracts have varying maturity dates ranging from July 6, 2015 to July 5, 2016.

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, 2015 is \$663,492.

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 E – CAPITAL ASSETS

Changes in governmental activities capital assets for the fiscal year ended June 30, 2015 are as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
Non-Depreciable Capital Assets:				
Land.....	\$ 571,596	\$ 14,602	\$ 1,000	\$ 585,198
Highway right-of-way.....	2,209,905	59,806	-	2,269,711
General construction in progress.....	869,255	597,323	417,734	1,048,844
Transportation construction in progress.....	2,804,379	2,470,361	2,315,530	2,959,210
Subtotal.....	<u>6,455,135</u>	<u>3,142,092</u>	<u>2,734,264</u>	<u>6,862,963</u>
Depreciable and Amortizable Capital Assets:				
Land improvements.....	866,855	15,519	330	882,044
Buildings and building improvements.....	7,303,673	237,867	29,568	7,511,972
Machinery and equipment.....	1,313,749	138,356	32,813	1,419,292
Highway infrastructure.....	26,030,954	1,376,669	3,620	27,404,003
Bridge infrastructure.....	12,877,413	714,284	5,532	13,586,165
Waterway infrastructure.....	26,415	246	-	26,661
Other infrastructure.....	193,551	3,875	-	197,426
Software.....	384,762	134,948	91,030	428,680
Other intangibles.....	200	2,485	-	2,685
Subtotal.....	<u>48,997,572</u>	<u>2,624,249</u>	<u>162,893</u>	<u>51,458,928</u>
Less accumulated depreciation and amortization for:				
Land Improvements.....	346,399	26,607	62	372,944
Buildings and building improvements.....	2,903,900	164,073	19,705	3,048,268
Machinery and equipment.....	737,463	109,441	30,014	816,890
Highway infrastructure.....	14,189,808	1,030,246	1,417	15,218,637
Bridge infrastructure.....	3,218,095	340,908	618	3,558,385
Waterway infrastructure.....	3,390	538	-	3,928
Other infrastructure.....	45,973	10,001	-	55,974
Software.....	142,834	43,359	103	186,090
Other intangibles.....	143	134	-	277
Subtotal.....	<u>21,588,005</u>	<u>1,725,307</u>	<u>51,919</u>	<u>23,261,393</u>
Total depreciable and amortizable capital assets, net.....	<u>27,409,567</u>	<u>898,942</u>	<u>110,974</u>	<u>28,197,535</u>
Total governmental activities capital assets, net.....	<u>\$ 33,864,702</u>	<u>\$ 4,041,034</u>	<u>\$ 2,845,238</u>	<u>\$ 35,060,498</u>

NOTE E – CAPITAL ASSETS (continued)

Depreciation and amortization expense, by function, related to governmental activities capital assets for the fiscal year ended June 30, 2015 is as follows:

	Governmental Activities Capital Assets	
Direction and supportive services.....	\$	61,691
Protection of persons and property.....		135,518
Public education.....		34,856
Health and human services.....		18,277
Economic development.....		254
Transportation.....		1,452,304
Recreation and cultural enrichment.....		22,407
Total depreciation and amortization expense.....	<u>\$</u>	<u>1,725,307</u>

Changes in business-type activities capital assets for the fiscal year ended June 30, 2015 are as follows:

	<u>Balance June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Non-Depreciable Capital Assets:				
Land.....	\$ 141,549	\$ 17,266	\$ 10	\$ 158,805
General construction in progress.....	30,227	19,427	22,538	27,116
Subtotal.....	<u>171,776</u>	<u>36,693</u>	<u>22,548</u>	<u>185,921</u>
Depreciable and Amortizable Capital Assets:				
Land Improvements.....	42,890	7,663	-	50,553
Buildings and building improvements.....	393,173	14,875	9,454	398,594
Machinery and equipment.....	195,115	8,110	26,760	176,465
Software.....	19,882	4,346	4,152	20,076
Other intangibles.....	200	-	200	-
Subtotal.....	<u>651,260</u>	<u>34,994</u>	<u>40,566</u>	<u>645,688</u>
Less accumulated depreciation and amortization for:				
Land Improvements.....	6,895	2,177	-	9,072
Buildings and building improvements.....	167,266	16,258	7,765	175,759
Machinery and equipment.....	135,313	14,073	26,737	122,649
Software.....	14,069	396	4,152	10,313
Other intangibles.....	189	11	200	-
Subtotal.....	<u>323,732</u>	<u>32,915</u>	<u>38,854</u>	<u>317,793</u>
Total depreciable and amortizable capital assets, net.....	<u>327,528</u>	<u>2,079</u>	<u>1,712</u>	<u>327,895</u>
Total business-type activities capital assets, net.....	<u>\$ 499,304</u>	<u>\$ 38,772</u>	<u>\$ 24,260</u>	<u>\$ 513,816</u>

NOTE E – CAPITAL ASSETS (continued)

Construction in progress included in governmental activities capital assets at June 30, 2015 includes project information as follows:

	<u>Project Authorization</u>	<u>Amounts Expended at June 30, 2015</u>	<u>Authorization Available</u>
General Construction in Progress:			
Capitol Complex.....	\$ 470,000	\$ 20,993	\$ 449,007
Department of Corrections Institutions.....	532,809	374,232	158,577
Educational Institutions.....	719,477	249,965	469,512
Environmental Protection.....	27,359	11,858	15,501
State Parks and Forests.....	245,876	48,991	196,885
Veterans Homes and Military Armories.....	121,984	21,254	100,730
Department of Human Services Institutions.....	158,537	131,800	26,737
Transportation Facilities.....	163,053	31,984	131,069
Historical and Museum Commission Facilities.....	51,346	10,993	40,353
State Police Facilities.....	62,829	24,859	37,970
Agriculture Facilities.....	111,898	1,831	110,067
Department of Labor and Industry Software.....	1,777	1,685	92
Other.....	270,467	118,399	152,068
Total general construction in progress.....	<u>2,937,412</u>	<u>1,048,844</u>	<u>1,888,568</u>
Highway and Bridge Construction in Progress:.....	4,565,534	2,959,210	1,606,324
Total construction in progress.....	<u>\$ 7,502,946</u>	<u>\$ 4,008,054</u>	<u>\$ 3,494,892</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 market value. At June 30, 2015 the remaining amount of governmental activities capital assets related to the initial June 30, 1986 valuation amounted to \$1,555,500. 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 F – LONG-TERM OBLIGATIONS - BUSINESS-TYPE ACTIVITIES AND PROPRIETARY FUNDS

Tuition Benefits Payable

The reported liability for tuition benefits payable of \$1,540,315 of the **Tuition Payment Fund**, an Enterprise Fund, at June 30, 2015 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 7.685%.

Changes in tuition benefits payable are as follows:

Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015	Current	Non Current
				Due within One Year	Due after One Year
\$ 1,541,036	\$ 215,480	\$ 216,201	\$ 1,540,315	\$ 244,802	\$ 1,295,513

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 2.00 percent at December 31, 2014 and December 31, 2013. 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, 2014 and 2013, 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	
2014	\$1,577,783	\$224,392	\$44,946	\$43,414	\$209,723	\$1,593,984
2013	1,587,276	225,901	7,793	43,931	199,256	\$1,577,783

The current portion of the total **SWIF** insurance loss liability is \$233,954 and the noncurrent portion is \$1,360,030. Additionally, nonmajor Enterprise funds reported a noncurrent insurance loss liability of \$408 at June 30, 2015. Total reported current insurance loss liability amounts to \$233,954 and total noncurrent insurance loss liability amounts to \$1,360,438 at June 30, 2015.

Compensated Absences Liability

The reported compensated absences liability for the Enterprise Funds totaled \$37,418 at June 30, 2015. Of that amount, the liability is primarily owed by the State Stores Fund (\$28,720), the **SWIF** (\$2,340), and the **State Lottery Fund** (\$3,042). The following summary provides aggregated information reported for June 30, 2015 compensated absences liabilities; additions and reductions during the fiscal year ended June 30, 2015 and reported compensated absences liabilities at June 30, 2015:

Liability at June 30, 2014	Additions	Reductions	Liability at June 30, 2015
\$ 37,007	\$ 24,460	\$ 24,049	\$ 37,418

The current portion of the total compensated absences liability for Enterprise Funds is \$7,458; the noncurrent portion is \$29,960.

NOTE F – LONG-TERM OBLIGATIONS - BUSINESS-TYPE ACTIVITIES AND PROPRIETARY FUNDS (continued)

Revenue Bonds Payable

Revenue bond obligations of the Enterprise Funds (including the Philadelphia Regional Port Authority and the **Commonwealth Financing Authority**, blended component units) at June 30, 2015 and changes during the fiscal year ended June 30, 2015 are as follows:

<u>REVENUE BONDS PAYABLE</u>	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Maturity Dates Through</u>	<u>Balance</u>			
				<u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>
Philadelphia Regional Port Authority.....	2008	3.00-5.00%	2021	\$ 27,215	\$ -	\$ 3,330	\$ 23,885
Unemployment Compensation Fund.....	2012	1.00-5.00%	2024	2,405,105	-	174,860	2,230,245
Commonwealth Financing Authority.....	2005-13	0.55-6.40%	2042	1,611,910	196,000	170,560	1,637,350
Total principal obligations.....				4,044,230	196,000	348,750	3,891,480
Less: unamortized bond discount.....				(966)		(57)	(909)
Add: unamortized bond premium.....				338,168	25,795	71,638	292,325
TOTAL REVENUE BONDS PAYABLE.....				\$ 4,381,432	\$ 221,795	\$ 420,331	\$ 4,182,896

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021-25</u>	<u>2026-30</u>
Philadelphia Regional Port Authority.....	\$ 4,607	\$ 4,607	\$ 4,609	\$ 4,605	\$ 4,607	\$ 4,607	\$ -
Unemployment Compensation Fund.....	373,180	313,400	324,957	336,806	340,639	1,026,933	-
Commonwealth Financing Authority....	152,050	151,893	151,723	151,531	151,341	748,490	493,362
Total Principal and Interest.....	529,837	469,900	481,289	492,942	496,587	1,780,030	493,362
Less: Interest Payments.....	(190,961)	(176,435)	(162,179)	(146,048)	(128,612)	(376,260)	(187,112)
TOTAL PRINCIPAL OBLIGATIONS.....	\$ 338,876	\$ 293,465	\$ 319,110	\$ 346,894	\$ 367,975	\$ 1,403,770	\$ 306,250
	<u>2031-35</u>	<u>2036-40</u>	<u>2041-42</u>	<u>Total</u>			
Philadelphia Regional Port Authority.....	\$ -	\$ -	\$ -	\$ 27,642			
Unemployment Compensation Fund.....	-	-	-	2,715,915			
Commonwealth Financing Authority....	418,973	216,354	27,584	2,663,301			
Total Principal and Interest.....	418,973	216,354	27,584	5,406,858			
Less: Interest Payments.....	(110,223)	(35,609)	(1,939)	(1,515,378)			
TOTAL PRINCIPAL OBLIGATIONS.....	\$ 308,750	\$ 180,745	\$ 25,645	\$ 3,891,480			

NOTE F – LONG-TERM OBLIGATIONS - BUSINESS-TYPE ACTIVITIES AND PROPRIETARY FUNDS (continued)

Demand bonds payable

On October 18, 2012 the Department of Labor and Industry (Department), through the authorization of the Pennsylvania Economic Development Financing Authority (PEDFA), issued Unemployment Compensation Variable Rate Demand Revenue Bonds, Series 2012C, in the amount of \$300,000. The Series 2012C bonds bear interest at a weekly interest rate which is set each week by the remarketing agent. Since the bonds were issued, the approximate average weekly rate has been 0.073%. The payment of the principal and Tender Price of and interest on the Series C Bonds were secured by a direct-pay letter of credit (LOC) issued by the bank that expired on July 1, 2015, in conjunction with the redemption of the remainder of all Series C Bonds outstanding. Related commitment fees relative to the letter of credit were 0.30% payable on each July 1 and January 1. There were no liquidity drawings as of the financial reporting date.

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Bonds payable:				
UC variable rate demand revenue bonds Series C due 2024 at weighted-average rates of of 0.88% as of June 30, 2015	<u>\$ 166,635</u>	<u>\$ -</u>	<u>\$ 157,070</u>	<u>\$ 9,565</u>

The demand bonds issuance contained a take-out agreement that allowed the bondholders to demand early repayment. On July 1, 2015 all remaining Series C bonds were redeemed so the provisions of the take-out agreement no longer apply.

NOTE G - RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES

Taxes Receivable: Taxes receivable, by tax type, reported on the Statement of Net Position at June 30, 2015 consisted of the following:

	Statement of Net Position		
	Governmental Activities		
	Current	Noncurrent	Total
Sales and use.....	\$ 811,707	\$ 139,712	\$ 951,419
Personal income....	653,928	468,488	1,122,416
Corporation.....	166,218	697,582	863,800
Liquid fuels.....	276,942	-	276,942
Inheritance.....	322,664	102,304	424,968
Cigarette.....	47,353	-	47,353
Other.....	68,656	-	68,656
Total.....	<u>\$ 2,347,468</u>	<u>\$ 1,408,086</u>	<u>\$ 3,755,554</u>

Taxes receivable reported on the Balance Sheet-Governmental Funds and the Statement of Fiduciary Net Position at June 30, 2015 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:						
	By	From	After	Total	Collected by	Collected by	Collected by
August 31, 2015	September 1, 2015	June 30, 2016	June 30, 2016	August 31, 2015	August 31, 2015	August 31, 2015	
Sales and use.....	\$ 716,069	\$ 95,638	\$ 139,712	\$ 951,419	\$ -	\$ -	\$ 44,410
Personal income...	393,483	260,445	468,488	1,122,416	-	-	-
Corporation.....	56,543	109,675	697,582	863,800	-	-	-
Liquid fuels.....	-	-	-	-	276,942	-	-
Inheritance.....	149,424	173,240	102,304	424,968	-	-	-
Cigarette.....	47,353	-	-	47,353	-	-	822
Other.....	39,456	-	-	39,456	-	29,200	-
Total.....	<u>\$ 1,402,328</u>	<u>\$ 638,998</u>	<u>\$ 1,408,086</u>	<u>\$ 3,449,412</u>	<u>\$ 276,942</u>	<u>\$ 29,200</u>	<u>\$ 45,232</u>

On the governmental funds balance sheet, the **General Fund** taxes receivable of \$2,047,084 expected to be collected after August 31, 2015 is reported as deferred inflows of resources. The total amount of taxes receivable reported on the governmental funds balance sheet, \$2,347,468 (\$1,402,328 reported in the **General Fund**, \$276,942 reported in the **Motor License Fund**, and \$29,200 reported in nonmajor governmental funds), expected to be collected from July 1, 2015 through June 30, 2016 is also reported as current taxes receivable in governmental activities on the Statement of Net Position. The remaining **General Fund** taxes receivable of \$1,408,086 reported on the governmental funds balance sheet expected to be collected after June 30, 2016 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 G – RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES (continued)

Loans Receivable: Loans receivable at June 30, 2015 consisted of the following:

	Governmental Activities		Business Type Activities	
	General Fund		Commonwealth	Nonmajor
			Financing Authority	Enterprise Funds
Economic development loans.....	\$ 72,576	\$	311,231	\$ 85,157
Volunteer fire, ambulance and rescue company loans.....	-	-	-	72,765
Environmental program loans.....	4,348	-	-	-
School district loans.....	20,000	-	-	-
Other notes and loans.....	110	-	-	-
	<u>97,034</u>		<u>311,231</u>	<u>157,922</u>
Less: allowance for uncollectible amounts.....	(13,708)		(10,818)	(6,035)
Loans receivable, net.....	<u>\$ 83,326</u>		<u>\$ 300,413</u>	<u>\$ 151,887</u>

The **General Fund** reported \$75,293 in loans due after June 30, 2016, the **Commonwealth Financing Authority** (a blended component unit) reported \$286,045 in loans due after June 30, 2016, and nonmajor Enterprise funds reported \$127,807 in loans due after June 30, 2016.

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 revenue which was not yet earned as of June 30, 2015:

	General Fund	Motor License Fund	Nonmajor Funds	Total Governmental Funds
Unearned revenue....	\$ 30,804	\$ 1,520	\$ 91,477	\$ 123,801

Deferred Outflows and Deferred Inflows of Resources: On the Statement of Net Position, Governmental Activities and Business-type Activities reported both deferred outflows and deferred inflows at June 30, 2015. The following chart provides detail about the reported deferred outflows and the deferred inflows, respectively at June 30, 2015:

	Total Governmental Activities	Total Business-type Activities
Deferred Outflows		
Refundings of debt.....	\$ 1,733	\$ 3,561
Pension related outflows:		
Contributions subsequent to measurement date.....	493,295	20,403
Differences between expected and actual experience.....	63,971	2,849
Net difference between projected and actual earnings on plan investments.....	340,470	15,162
Changes in proportion.....	93,576	3,855
Differences between employer contributions and proportionate share.....	16,391	712
Total deferred outflows.....	<u>\$ 1,009,436</u>	<u>\$ 46,542</u>
Deferred Inflows		
Refundings of debt.....	\$ 150,478	\$ -
Pension related inflows:		
Net difference between projected and actual earnings on plan investments.....	15,947	-
Changes in proportion.....	87,719	3,814
Differences between employer contributions and proportionate share.....	9,824	475
Total deferred inflows.....	<u>\$ 263,968</u>	<u>\$ 4,289</u>

NOTE G – RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES (continued)

On the Balance Sheet for Governmental Funds, a modified accrual basis, the **General Fund**, the **Motor License Fund** and several nonmajor Special Revenue Funds reported unavailable revenue as deferred inflows of resources. The following chart provides, per receivable, the amounts expected to be collected after August 31, 2015 which are reported as deferred inflows of resources:

	General Fund	Motor License Fund	Nonmajor Funds	Total Governmental Funds
Expected to be collected after August 31, 2015:				
Taxes receivable.....	\$ 2,047,084	\$ -	\$ -	\$ 2,047,084
Accounts receivable.....	538,945	-	176,248	715,193
Due from federal government.....	320,327	-	-	320,327
Miscellaneous receivables.....	321	481	7,533	8,335
Total deferred inflows	\$ 2,906,677	\$ 481	\$ 183,781	\$ 3,090,939

On the Statement of Net Position-Proprietary Funds, the **State Workers' Insurance Fund**, the **State Lottery 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 and deferred inflows at June 30, 2015. The following chart provides detail about the reported deferred outflows and the deferred inflows, respectively at June 30, 2015:

	State Workers' Insurance Fund	State Lottery Fund	Commonwealth Financing Authority	Nonmajor Funds	Total Proprietary Funds	Internal Service Funds
Deferred Outflows						
Refundings of debt.....	\$ -	\$ -	\$ 2,200	\$ 1,361	\$ 3,561	\$ -
Pension related outflows:						
Contributions subsequent to measurement date.....	-	2,004	-	18,399	20,403	1,778
Differences between expected and actual experience....	199	269	-	2,381	2,849	239
Net difference between projected and actual earnings on plan investments.....	1,062	1,430	-	12,670	15,162	1,269
Changes in proportion.....	277	372	-	3,206	3,855	330
Differences between employer contributions and proportionate share.....	51	69	-	592	712	61
Total deferred outflows.....	\$ 1,589	\$ 4,144	\$ 2,200	\$ 38,609	\$ 46,542	\$ 3,677
Deferred Inflows						
Pension related inflows:						
Changes in proportion.....	\$ 274	\$ 368	\$ -	\$ 3,172	\$ 3,814	\$ 327
Differences between employer contributions and proportionate share.....	31	41	-	403	475	37
Total deferred inflows.....	\$ 305	\$ 409	\$ -	\$ 3,575	\$ 4,289	\$ 364

NOTE G – 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 and deferred inflows at June 30, 2015. The following chart provides detail about the reported deferred outflows and the deferred inflows, respectively at June 30, 2015:

<u>Deferred Outflows</u>	Pension (and Other Employee Benefit) Trust Funds
Pension related outflows:	
Contributions subsequent to measurement date.....	\$ 1,874
Differences between expected and actual experience....	257
Net difference between projected and actual earnings on plan investments.....	1,366
Changes in proportion.....	398
Differences between employer contributions and proportionate share.....	-
Total deferred outflows.....	\$ 3,895
<u>Deferred Inflows</u>	
Pension related inflows:	
Changes in proportion.....	\$ -
Differences between employer contributions and proportionate share.....	44
Total deferred inflows.....	\$ 44

NOTE H – INTERNAL/INTERFUND BALANCES AND TRANSFERS

Statement of Net Position

Internal Balances

In the Statement of Net Position, reported internal balances of \$24,656/(\$24,264) for governmental activities/business-type activities differ by \$392 because the **State Workers' Insurance Fund**, an Enterprise Fund, reports for its fiscal year ended December 31, 2014.

Fund Financial Statements

Interfund Balances

The composition of governmental and proprietary funds interfund balances reported at June 30, 2015 is as follows, with Major Fund titles in bold. Aggregate nonmajor governmental funds receivables from other funds and from component units, respectively, amount to \$139,157 and \$450; aggregate nonmajor enterprise funds receivables amount to \$6,123 and \$9; aggregate internal service funds receivables amount to \$37,635 and \$163:

FUND TYPE/FUND <u>PRIMARY GOVERNMENT</u>	DUE FROM		DUE TO	
	OTHER FUNDS	COMPONENT UNITS	OTHER FUNDS	COMPONENT UNITS
General Fund	\$ 70,558	\$ 203,389	\$ 279,581	\$ 763
<u>Special Revenue:</u>				
Motor License Fund	6,136	769	68,003	14,677
Tobacco Settlement Fund.....	43,721	-	972	-
Public Transportation Trust Fund.....	49,188	-	20	-
Gaming Fund.....	165	-	5,941	19,872
Fish and Boat Fund.....	5,876	-	418	-
Emergency Medical Services Operating Fund.....	2,129	-	-	-
Agricultural Conservation Easement Purchase Fund.....	10,243	-	-	-
Marcellus Shale Fund.....	1	-	16,789	-
Insurance Regulation and Oversight Fund.....	1,072	-	9,037	-
Multimodal Transportation Fund.....	-	-	9,177	-
Other Funds.....	6,616	-	7,358	199
Special Revenue subtotal.....	<u>125,147</u>	<u>769</u>	<u>117,715</u>	<u>34,748</u>
<u>Debt Service:</u>				
PA Infrastructure Investment Authority Redemption Fund.....	-	401	-	-
Water and Sewer Assistance Bond Sinking Fund.....	-	49	-	-
Debt Service subtotal.....	<u>-</u>	<u>450</u>	<u>-</u>	<u>-</u>
<u>Capital Projects:</u>				
Capital Facilities Fund.....	3,056	-	3,619	-
Keystone Recreation, Park and Conservation Fund.....	7,894	-	357	-
Public Transportation Assistance Fund.....	9,196	-	953	-
Capital Projects subtotal.....	<u>20,146</u>	<u>-</u>	<u>4,929</u>	<u>-</u>
<u>Enterprise:</u>				
Unemployment Compensation Fund	4,497	473	649	-
State Lottery Fund	24	-	4,977	-
Tuition Payment Fund	-	-	2	-
Commonwealth Financing Authority	29,755	-	534	-
State Stores Fund.....	31	-	9,210	-
Rehabilitation Center Fund.....	2,062	9	175	64
Philadelphia Regional Port Authority.....	4,012	-	69	-
Other Funds.....	18	-	156	2
Enterprise subtotal.....	<u>40,399</u>	<u>482</u>	<u>15,772</u>	<u>66</u>
<u>Internal Service:</u>				
Purchasing Fund.....	32,172	161	11,526	14
Manufacturing Fund.....	5,463	2	438	-
Internal Service subtotal.....	<u>37,635</u>	<u>163</u>	<u>11,964</u>	<u>14</u>

NOTE H – INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)

FUND TYPE/FUND <u>PRIMARY GOVERNMENT</u>	DUE FROM		DUE TO	
	OTHER FUNDS	COMPONENT UNITS	OTHER FUNDS	COMPONENT UNITS
<u>Fiduciary - Pension Trust:</u>				
State Employees' Retirement System.....	9,807	45,225	-	-
Deferred Compensation Fund.....	-	-	140	-
Public School Employees' Retirement System.....	11,061	-	3,016	-
Fiduciary - Pension Trust subtotal.....	20,868	45,225	3,156	-
Total primary government.....	<u>\$ 314,753</u>	<u>\$ 250,478</u>	<u>\$ 433,117</u>	<u>\$ 35,591</u>

DISCRETELY PRESENTED <u>COMPONENT UNITS</u>	DUE FROM		DUE TO	
	PRIMARY GOVERNMENT	COMPONENT UNITS	PRIMARY GOVERNMENT	COMPONENT UNITS
Pennsylvania Turnpike Commission.....	\$ 12,346	\$ -	\$ -	\$ -
Pennsylvania Housing Finance Agency.....	-	18	19	57
Pennsylvania Higher Education Assistance Agency.....	67	-	437	-
Pennsylvania Infrastructure Investment Authority.....	15,000	57	203,332	18
State System of Higher Education.....	1,107	-	338	-
Pennsylvania Convention Center Authority.....	4,872	-	-	-
Pennsylvania eHealth Partnership Authority.....	-	-	12	-
Other component units.....	10	-	238	-
Total component units.....	<u>\$ 33,402</u>	<u>\$ 75</u>	<u>\$ 204,376</u>	<u>\$ 75</u>

The amount of total reported interfund receivables of \$598,708 does not agree with total reported interfund payables of \$673,159 at June 30, 2015 due to different fiscal year ends and reporting differences for certain Funds included in the Fund Financial Statements at June 30, 2015. The amount reported for the Pennsylvania Turnpike Commission, a discretely presented component unit, is reported at its fiscal year ended May 31, 2015; the amounts reported as interfund balances for the State Employees' Retirement System and Deferred Compensation Fund, Pension Trust Funds, and the **State Workers' Insurance Fund**, an Enterprise Fund, are reported at their fiscal years ended December 31, 2014. The following presents a reconciliation of interfund balances reported at June 30, 2015 and those amounts that would have been reported if all Funds reported at the same fiscal year-end:

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Component Units	Total
Due from other funds.....	\$ 214,330	\$ 71,056	\$ 18,691	\$ -	\$ 304,077
Due from pension trust funds.....	1,521	6,978	2,177	-	10,676
Due from component units.....	204,608	645	45,225	75	250,553
Due from primary government.....	-	-	-	33,402	33,402
Total.....	<u>\$ 420,459</u>	<u>\$ 78,679</u>	<u>\$ 66,093</u>	<u>\$ 33,477</u>	<u>\$ 598,708</u>
Reported Interfund Receivables.....					\$ 598,708
State Employees' Retirement System decrease in receivables from January 1, 2015 through June 30, 2015.....					(16,352)
Pennsylvania Turnpike Commission increase in receivables from June 1, 2015 through June 30, 2015.....					2,189
State Workers' Insurance Fund increase in receivables from January 1, 2015 through June 30, 2015.....					665
Interfund receivables reported as taxes receivable and accounts receivable by fiduciary funds.....					59,083
Payroll accrual at June 30, 2015 - receivables attributable to State Employees' Retirement System.....					36,992
Reconciled Interfund Receivables.....					<u>\$ 681,285</u>

NOTE H – INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Component Units	Total
Due to other funds.....	\$ 260,348	\$ 25,517	\$ 2,152	\$ -	\$ 288,017
Due to pension trust funds.....	141,877	2,219	1,004	-	145,100
Due to component units.....	35,511	80	-	75	35,666
Due to primary government.....	-	-	-	204,376	204,376
Total.....	<u>\$ 437,736</u>	<u>\$ 27,816</u>	<u>\$ 3,156</u>	<u>\$ 204,451</u>	<u>\$ 673,159</u>
Reported Interfund Payables.....					673,159
State Employees' Retirement System increase in payables from January 1, 2015 through June 30, 2015.....					1,940
Deferred Compensation Fund increase in payables from January 1, 2015 through June 30, 2015.....					24
Pennsylvania Turnpike Commission increase in payables from June 1, 2015 through June 30, 2015.....					873
State Workers' Insurance Fund increase in payables from January 1, 2015 through June 30, 2015.....					186
Pennsylvania Economic Development Financing Authority - financial statement not reported as disclosed in Note A.....					112
Interfund payables reported as accounts payable by fiduciary funds.....					4,991
Reconciled Interfund Payables.....					<u>\$ 681,285</u>

Advances – Fund Financial Statements

At June 30, 2015, the **General Fund** reported Advances to Other Funds of \$4,475. Specifically, this amount has been advanced as follows: \$2,300 to the **State Workers' Insurance Fund (SWIF)**, an Enterprise Fund; and \$2,175 to the **Motor License Fund**, a Special Revenue 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 \$2,213 at its fiscal year ended December 31, 2014. At June 30, 2015 the Workers' Compensation Security Fund and the Workers' Compensation Administration Fund, Special Revenue Funds, reported Advances to Other Funds of \$750 and \$2,000, respectively; these amounts were advanced to the **General Fund** and the Uninsured Employers Guaranty Fund, a Special Revenue Fund. Only the \$2,000 advance to the Uninsured Employers Guaranty Fund is expected to be repaid during the fiscal year ending June 30, 2016. The Underground Storage Tank Indemnification Fund, an Agency Fund, reported a \$67,500 statutory advance to the **General Fund** at June 30, 2015; no repayment is expected to occur during the fiscal year ending June 30, 2016.

Transfers

A summary of transfers reported for the fiscal year ended June 30, 2015 is as follows, with Major Fund titles in bold. Aggregate nonmajor governmental fund transfers from other funds amounted to \$1,531,553 during the fiscal year ended June 30, 2015; aggregate nonmajor governmental fund transfers to other funds amounted to \$814,516. Aggregate nonmajor proprietary fund transfers from other funds amounted to \$52,336, while aggregate nonmajor proprietary fund transfers to other funds amounted to \$291,672.

NOTE H – INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)

	TRANSFERS	
	IN	OUT
PRIMARY GOVERNMENT		
General Fund.....	\$ 689,759	\$ 1,224,435
<u>Special Revenue:</u>		
Motor License Fund.....	20,978	76,268
Public Transportation Trust Fund.....	113,558	30,000
Gaming Fund.....	-	329,728
Environmental Stewardship Fund.....	43,220	49,973
Vocational Rehabilitation Fund.....	40,473	-
Agricultural Conservation Easement Purchase Fund.....	9,773	-
State Farm Products Show Fund.....	4,000	-
Recycling Fund.....	875	-
Oil and Gas Lease Fund.....	-	147,089
Hazardous Sites Cleanup Fund.....	4,110	7,375
Marcellus Shale Fund.....	35,000	131,028
Insurance Regulation and Oversight Fund.....	-	8,870
State Racing Fund.....	1,475	-
Fish and Boat Fund.....	5,578	-
Multimodal Transportation Fund.....	30,000	42,272
Other Funds.....	1,450	479
Special Revenue subtotal.....	<u>310,490</u>	<u>823,082</u>
<u>Debt Service:</u>		
Pennsylvania Infrastructure Investment Authority Redemption Fund.....	2,581	-
Capital Debt Fund.....	1,156,660	-
Growing Greener Bond Sinking Fund.....	40,200	-
Water and Sewer Assistance Bond Sinking Fund.....	24,396	-
Water Supply and Wastewater Treatment Sinking Fund.....	16,958	-
Local Criminal Justice Sinking Fund.....	91	-
Persian Gulf Veterans' Compensation Bond Sinking Fund.....	503	-
Debt Service subtotal.....	<u>1,241,389</u>	<u>-</u>
<u>Capital Projects:</u>		
Capital Facilities Fund.....	-	48,338
Growing Greener Bond Fund.....	652	-
Water Supply and Wastewater Treatment Fund.....	-	249
Public Transportation Assistance Fund.....	-	19,115
Capital Projects subtotal.....	<u>652</u>	<u>67,702</u>
<u>Enterprise:</u>		
Unemployment Compensation Fund.....	-	63,800
State Lottery Fund.....	162,800	249,443
Commonwealth Financing Authority.....	262,708	-
State Stores Fund.....	-	81,672
Volunteer Companies Loan Fund.....	-	30,000
Philadelphia Regional Port Authority.....	49,336	-
Small Business First Fund.....	3,000	95,000
Machinery and Equipment Loan Fund.....	-	85,000
Enterprise subtotal.....	<u>477,844</u>	<u>604,915</u>
Total transfers, fund financial statements.....	2,720,134	2,720,134
Less: net elimination of governmental fund transfers.....	(2,593,063)	(2,593,063)
Total transfers, Statement of Activities.....	<u>\$ 127,071</u>	<u>\$ 127,071</u>

NOTE H – 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, 2015 (May 31, 2015 for Pennsylvania Turnpike Commission), the Commonwealth provided financial support to major discretely presented component units, reported by the component units as follows:

State System of Higher Education (appropriations, grants and contracts)	\$ 531,328
Pennsylvania Higher Education Assistance Agency (grants)	403,616
Pennsylvania Turnpike Commission (capital contributions)	126,172
Pennsylvania Infrastructure Investment Authority (other state receipts)	36,188
Pennsylvania Housing Finance Agency (program income and fees; other liabilities)	25,447

Nonmajor Discretely Presented Component Units

During the fiscal year ended June 30, 2015, the Commonwealth provided financial support to nonmajor component units by appropriations, as follows:

Ben Franklin Technology Development Authority.....	\$ 14,500
Thaddeus Stevens College of Technology	12,332
eHealth Partnership Authority	1,850
Port of Pittsburgh Commission.....	750

Financial Support Provided to the Commonwealth

During its fiscal year ended May 31, 2015, the Pennsylvania Turnpike Commission incurred additional debt in order to provide \$450,000 to the Public Transportation Trust Fund under the statutory provisions of Act 89 of 2013, Act 44 of 2007, and the related Lease and Funding Agreement between the Pennsylvania Turnpike Commission and the Commonwealth. Under the provisions of Act 89 of 2013, the Commonwealth subsequently transferred \$30,000 from the Public Transportation Trust Fund to the Multimodal Transportation Fund.

Transfer of Operations

On November 1, 2014 the Commonwealth transferred the assets, deferred outflows of resources, and liabilities comprising the lending operations of the Machinery and Equipment Loan Fund (MELF) and the Small Business First Fund (SBFF) to the Pennsylvania Industrial Development Authority, a discretely presented component unit of the Commonwealth, as a result of the enactment of Act 161 of 2014. As a result of the transfer, the Commonwealth recognized losses of \$86,277 and \$71,653 on the disposal of its lending operations in the MELF and the SBFF, respectively. The combined loss of \$157,930 is recorded as a special item on the Statement of Activities. The Commonwealth’s operating expense for the period was \$174 for the MELF and \$288 for the SBFF. Similarly, the Commonwealth’s operating revenues, net of provision for uncollectible accounts, were (\$1,450) for the MELF and (\$52) for the SBFF; the Commonwealth’s non-operating revenues were \$256 for the MELF and \$12,019 for the SBFF. Net transfers were (\$85,000) for the MELF and (\$92,000) for the SBFF.

NOTE I - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Pension Systems

Commonwealth laws established contributory defined benefit 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 Funds. The SERS and the PSERS issue stand-alone, audited financial statements which are available at www.sers.pa.gov and www.psers.state.pa.us, respectively. Written requests for 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

State Employees' Retirement System

Plan Description: The SERS is the administrator of a cost-sharing multiple-employer defined benefit retirement plan established to provide pension benefits for Commonwealth employees and certain other organizations. At December 31, 2014 there were 104 employer state agencies and other organizations participating in the SERS. The SERS implemented GASB 67, Financial Reporting for Pension Plans in the fiscal year ending December 31, 2014.

Retirement Benefits: Article II of the Pennsylvania Constitution provides the General Assembly the authority to establish and amend plan benefit provisions. The SERS provides retirement, death, and disability benefits. Prior to Act 2010-120 (Act 120), employees who retire at age 60 with 3 years of service, or with 35 years of service if under age 60, are entitled to a normal annual 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 3 years of service. Act 120 preserved all benefits in place for existing members but mandated a number of benefit reductions for new members effective January 1, 2011. The benefit reduction included a new class of membership that accrues benefits at 2 percent of their final average salary instead of the previous 2.5 percent. The new vesting period changed from five to ten years of credited service, and the option to withdraw lump sum accumulated employee contributions was eliminated. The new normal retirement age is 65 for most employees and age 55 for members of the General Assembly and certain employees classified in hazardous duty positions.

Most members of the SERS, and all covered 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, pursuant to Act 2001-9 (Act 9), signed into law on May 17, 2001. Among other things, Act 9 provides for general annual retirement benefits of 2.5 percent of the member's highest three-year average salary (final average salary) multiplied by years of service. State police troopers are entitled to an annual benefit equal to a percentage of their highest annual salary (excluding their year of retirement). The annual benefit is 75 percent of salary for 25 or more years of service and 50 percent of salary for 20-24 years of service. Judges are entitled to a benefit of 4 percent of final average salary for each of the first 10 years of service and 3 percent for subsequent years. District Justices are entitled to a benefit of 3 percent of final average salary for each year of service. Legislators taking office before December 1, 2010 are Class D-4, which translates into an annual benefit of 3 percent of the final average salary for each year of service. The general annual benefit for full retirement for Class A members is 2 percent of the member's highest three-year salary multiplied by years of service. Act 120 of 2010 created a new 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. The general annual benefit for Class A-3 members is 2 percent of the member's highest three-year average salary times years of service while the Class A-4 benefit accrual rate is 2.5 percent.

Contribution Requirements: Commonwealth law establishes the funding policy for all members' contribution rates. The active plan member contribution rate is 6.25 percent of covered payroll for employees in Class AA; for Class A members, the contribution rate is 5 percent. The general membership contribution rate under Act 120 for A-3 and A-4 members is 6.25 percent and 9.3 percent of salary, respectively. Higher contributions are required for certain members of the General Assembly, judges and district justices who elect higher contribution rates. The SERS Board has the authority to establish or amend periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll.

NOTE I - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Act 120 imposes rate increase collars on employer contributions that keep the employer contribution rate below the rates established in accordance with actuarial parameters. The collar for FY 14/15 is 4.5 percent and will remain at that rate until no longer needed. Contributions to the SERS from the Commonwealth, including PRPA (a blended component unit) were \$1,005,654 for the year ended June 30, 2015.

Summary of Significant Accounting Policies: The SERS financial statements are prepared on the accrual basis of accounting, whereby 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 the related trade date. Member and employer contributions are recognized in the period in which employee salaries are reported. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investment Valuation: Investments are reported at fair value, which is the amount that the SERS 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. The investments in short-term funds, including those managed by the State Treasurer, are reported at cost plus allocated interest, which approximates fair value. The securities lending collateral pool, which is a fund operated by the securities lending agent, also is reported at cost plus accrued interest, which approximates fair value. U.S. government securities, corporate and foreign bonds and notes, common and preferred stocks, and some hedge funds are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. Securities that are not traded on a national security exchange are valued by the asset manager or third parties based on similar sales, or valued by valuation committees. Foreign exchange, futures and swap contracts are marked-to-market daily with changes in fair value recognized as part of investments and investment income. Real estate investments are valued by the investment manager using discounted cash flows, recent comparable sales and current market conditions to arrive at net asset value. Net asset value approximates fair value. Real estate funds estimated fair value are updated by routine independent appraisals by appraisers who meet specific professional qualifications. The appraisal process involves significant judgment and estimating; thus the value upon sale of an asset may differ from its appraised value. Alternative investment and real estate limited partnerships are valued at net asset value, which are determined by the general partners using processes that have been reviewed and approved by valuation committees. The partnerships' investments, as well as the assumptions and estimates used in developing the net asset values, approximate fair value. Because the investments in such partnerships are generally illiquid and the holding period may last for several years, the value realized by SERS upon disposition may differ materially from estimated values reflected in the financial statements.

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, 2015, the Commonwealth reported a total net pension liability of \$12,318,240 for its participation in the SERS. The net pension liability attributed to participation in the SERS was measured as of December 31, 2014, 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, 2014, the Commonwealth's reported proportionate share of the SERS net pension liability was 82.94 percent, which was an increase of .01% from its proportion measured as of December 31, 2013.

NOTE I - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

As of June 30, 2015, the Commonwealth recognized pension expense of \$1,515,645, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS (December 31, 2014)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience.....	\$ 66,872	\$ -
Differences between employer contributions and proportionate share.....	17,117	10,307
Net difference between projected and actual earnings on plan investments.....	355,916	-
Changes in proportion.....	92,591	91,607
Contributions subsequent to measurement date.....	498,073	-
Total.....	\$ 1,030,569	\$ 101,914

The \$498,073 reported as deferred outflows of resources related to pensions resulting from Commonwealth contributions to SERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>SERS (December 31, 2014)</u>
2016.....	\$ 105,210
2017.....	105,210
2018.....	105,210
2019.....	105,210
2020.....	9,742

Actuarial Assumptions

The total pension liability in the SERS (December 31, 2014) actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age
Amortization Method	Straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits
Investment rate of return	7.5% net of expenses including inflation
Projected salary increases	Average of 6.1% with range of 4.30% to 11.05% including inflation
Asset valuation method	Fair (market) value
Inflation	2.75%
Mortality Rate	Projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement
Cost of living adjustments	Ad hoc

NOTE I - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Some of the methods and assumptions mentioned above are based on the 17th Investigation of Actuarial Experience, which was published in January 2011, and analyzed experience from 2006 through 2010. SERS actuary made recommendations with respect to the actuarial assumptions and methods based on their analysis. The next experience study will cover the years 2011 through 2015 and is expected to be released in early 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

SERS (December 31, 2014)		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Alternative investments.....	15.00%	8.50%
Global public equity.....	40.00%	5.40%
Real assets.....	17.00%	4.95%
Diversifying assets.....	10.00%	5.00%
Fixed income.....	15.00%	1.50%
Liquidity reserve.....	3.00%	0.00%
Total.....	100.00%	

Discount rate

The SERS discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary. Based on those assumptions, the SERS fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active SERS members. Therefore the long-term expected rate of return on SERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 of 7.5 percent, as well as what the Commonwealth’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) higher than the current rate.

	(6.50%)	(7.50%)	(8.50%)
SERS (December 31, 2014).....	\$ 15,772,803	\$ 12,318,240	\$ 9,356,234

Payable to the Pension Plan

For the fiscal year ended June 30, 2015, the Commonwealth reported an accounts payable for the employer’s share of retirement contributions to the SERS in the amount of \$74,538.

Public School Employees’ Retirement System

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, 2015 there were 784 participating employers, generally school districts. In relation to the PSERS, the Commonwealth is a non-employer contributor organization. The PSERS implemented GASB 68, Accounting and Financial Reporting for Pensions for the fiscal year ended June 30, 2015.

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

NOTE I - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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 preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. 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.

Benefits are generally equal to 2 percent or 2.5 percent, 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.

Contribution Requirements: The Public School Employees' Retirement Code provides that the PSERS Board has the authority to establish or amend periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll. According to requirements established in Act 29 of 1994, the Commonwealth reimburses school entity employers a portion of the employer contributions paid to the System. All school entity employers are reimbursed by the Commonwealth at least 50% of the total employer contributions based on the total contribution rate. The Commonwealth remits employer contributions for employers other than school entities directly to PSERS resulting in a special funding situation. Contributions to the PSERS from the Commonwealth were \$15,650 for the year ended June 30, 2015.

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 percent of covered payroll, respectively;
- Membership Class T-C and T-D hired after July 21, 1983, the rates are 6.25 and 7.50 percent, respectively.

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

- Membership Class T-E and T-F rates are 7.50 and 10.30 percent, respectively.

Act 120 suppressed the employer contribution rate by using rate caps through June 30, 2015 to keep the rate from rising too high, too fast for budgetary purposes. The rate caps limit the amount the pension component of the employer contribution rate can increase over the prior years' rate. For the fiscal year ended June 30, 2015 and thereafter, the rate can increase no more than 4.5 percent plus the premium assistance contribution rate.

The rate cap remains at 4.5 percent until the rate cap no longer applies, i.e. the rise in the employer contribution rate is less than the rate cap in effect at that time. Once the rate caps no longer apply, the employer normal cost becomes the contribution rate floor.

Summary of Significant Accounting Policies: The financial statements of 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: PSERS's investments are reported at fair value. Fair value is the amount that PSERS can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. Short-term securities are carried at cost, which approximates fair value, unless they have published market prices or quotations from national securities exchanges or securities pricing services, in which case they are valued at the published market price. Fixed income securities and common and preferred stocks are generally valued based on published market prices and quotations from national securities exchanges or securities pricing services. Securities which are not traded on a national securities exchange are valued by the respective fund manager or other third parties based on similar sales.

Directly-owned real estate investments are primarily valued based on appraisals performed by independent appraisers and, for properties not appraised, the present value of the projected future net income stream is used. Real estate owned investments are reported net of related debt borrowed against the market value of the property. As of June 30, 2015

NOTE I - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

\$132,000 in line of credit advances were netted against the related property valuation. The line of credit balance is due on March 4, 2016. The line is payable at an interest rate equivalent to the lender’s commercial paper rate plus 75 basis points and is collateralized by certain fixed income investments of PSERS.

For alternative investments, which include private equity, private debt, venture capital and equity real estate investments where no readily ascertainable market value exists, management, in consultation with the general partner and investment advisors, has determined the fair values for the individual investments based upon the partnership’s most recent available financial information. Futures contracts, foreign exchange contracts, and options are marked-to-market daily based on published market prices and quotations from national securities exchanges or securities pricing services. The changes in market value are recognized as part of net appreciation/depreciation in the fair value of investments. Initial margin requirements for such financial instruments are provided by investment securities pledged as collateral or by cash.

Collective trust fund investments (CTF) consist primarily of domestic and international institutional funds. The funds generally do not pay interest or dividends to shareholders and reinvest all income earned on securities held by the fund. The fair value of CTF is based on the reported share value of the respective fund. CTF are managed by state chartered banks for which various state banking departments have regulatory oversight and investment advisors for which regulatory agencies such as the Securities and Exchange Commission have regulatory oversight. Investments that are not subject to this oversight are subject to annual independent audits.

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

At June 30, 2015, the Commonwealth reported a liability of \$223,083 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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 PSERS 50 percent of the employer contributions for employers other than school entities. At June 30, 2014 the Commonwealth’s proportion was .56 percent, which was an increase of .02% from its proportion measured as of June 30, 2013.

As a result of its requirement to contribute to the PSERS, the Commonwealth recognized expense of \$21,569 for the year ended June 30, 2015. At June 30, 2015 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:

	<u>PSERS (June 30, 2014)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on plan investments.....	\$ -	\$ 15,947
Changes in proportion.....	4,915	-
Contributions subsequent to measurement date.....	16,024	-
Total.....	<u>\$ 20,939</u>	<u>\$ 15,947</u>

NOTE I - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**Other Postemployment Benefits**

The Commonwealth established and sponsors two primary plans which provide postemployment benefits other than pensions (OPEB). These two plans are the Retired Employees Health Program (REHP) and the Retired Pennsylvania State Police Program (RPSPP). These two plans are administered by the Pennsylvania Employee Benefits 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. Nearly all Commonwealth agencies and several discretely presented component units participate in the REHP. The Pennsylvania Judiciary (Judiciary), Pennsylvania House of Representatives (House), and the Pennsylvania Senate (Senate) have established and sponsor their own OPEB plans. All OPEB plans and benefit provisions therein have been established under pertinent statutory authority. The REHP is provided, in part, as a part of collective bargaining agreements with most Commonwealth labor unions. The RPSPP is provided as a part of collective bargaining agreements with certain Commonwealth labor unions.

Benefit provisions included in the REHP, RPSPP, Judiciary, House, and Senate plans are established and may be amended by the establishing sponsor of the given OPEB plan. Each OPEB plan provides postemployment healthcare benefits and, to varying degrees, some of the non-REHP OPEB plans provide specific dental, hearing, vision, life insurance, long-term disability and long-term care benefits. Among the different OPEB plans, the REHP is the largest of such plans and provides only postemployment healthcare benefits. None of the OPEB plans issues a stand-alone financial report or is included in the financial statements of a public employee retirement system.

REHP contribution requirements are established by the Office of Administration and the Governor's Budget Office. All employing agencies and certain plan members must contribute specified amounts to the REHP. During the fiscal year ended June 30, 2015, almost all employing agencies contributed \$334 (whole dollars) for each current, active REHP eligible employee per biweekly pay period to fund the REHP. Several employing agencies contribute under comparable payment arrangements. For employees who retired after June 30, 2005 and before July 1, 2007 the retiree contribution is set at 1 percent 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 percent of either their final annual gross 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 percent of their final average salary. Upon enrollment in Medicare, Commonwealth employees who are currently paying 3 percent will pay retiree contributions of 1.5 percent of either their final annual gross salary or final average salary, whichever applies. In February 2008 a three tiered prescription REHP member copayment was introduced and in May 2008 a Medicare Private Fee-For-Service plan for REHP was started. In January 2011, the majority of REHP Medicare-eligible members were enrolled in Medicare HMO or Medicare PPO medical plans.

RPSPP contribution requirements are established within collective bargaining agreements. During the fiscal year ended June 30, 2015 employing agencies contributed \$850 (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, 2015, the Commonwealth funded \$745,809 and \$82,020 of annuitant health care claims and administrative costs for the REHP and 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, 2015, advance funding of \$50,000 for REHP was contributed to the Other Postemployment Benefits Investment Pool, a Pension (and Other Employee Benefit) Trust Fund. Neither the REHP nor the RPSPP Annual Required Contribution has ever been fully funded. Policy on advance funding is evaluated annually.

NOTE I - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB cost and actual contributions (amounts in millions):

As of and for the fiscal year ended June 30, 2015	REHP	RPSPP	Judiciary	House	Senate	Total
Annual required contributions.....	\$ 1,127.59	\$ 242.91	\$ 40.93	\$ 46.22	\$ 14.37	\$1,472.02
Interest on net OPEB obligation.....	86.00	34.88	5.73	8.65	4.37	139.63
Adjustment to annual required contribution..	(76.78)	(31.14)	(5.17)	(11.80)	(1.35)	(126.24)
Total Annual OPEB cost (expense).....	1,136.81	246.65	41.49	43.07	17.39	1,485.41
Qualifying contributions.....	(795.81)	(82.02)	(25.21)	(15.94)	(6.72)	(925.70)
Increase in net OPEB obligation.....	341.00	164.63	16.28	27.13	10.67	559.71
Net OPEB obligation, July 1, 2014.....	1,638.11	664.40	120.73	192.27	97.20	2,712.71
Net OPEB obligation, June 30, 2015.....	\$ 1,979.11	\$ 829.03	\$ 137.01	\$ 219.40	\$ 107.87	\$3,272.42

The net OPEB obligation attributable to REHP at June 30, 2015 is allocated among all REHP-participating employers. Several REHP-participating employer organizations are not reported as part of the Commonwealth's financial reporting entity or are reported as discretely presented component units. Percentage of annual OPEB cost contributed during the fiscal years ended June 30, 2015, 2014 and 2013 is as follows (amounts in millions):

	REHP	RPSPP	Judiciary	House	Senate	Total
For the fiscal year ended June 30, 2015						
Annual OPEB cost.....	\$1,136.81	\$ 246.65	\$ 41.49	\$ 43.07	\$ 17.39	\$ 1,485.41
Percentage of annual OPEB cost contributed.....	70%	33%	61%	37%	39%	62%
Net OPEB obligation.....	\$1,979.11	\$ 829.03	\$ 137.01	\$ 219.40	\$ 107.87	\$ 3,272.42
For the fiscal year ended June 30, 2014						
Annual OPEB cost.....	\$ 898.33	\$ 217.49	\$ 40.55	\$ 40.48	\$ 16.32	\$ 1,213.17
Percentage of annual OPEB cost contributed.....	77%	35%	54%	35%	37%	67%
Net OPEB obligation.....	\$1,638.11	\$ 664.40	\$ 120.73	\$ 192.27	\$ 97.20	\$ 2,712.71
For the fiscal year ended June 30, 2013						
Annual OPEB cost.....	\$ 869.14	\$ 208.55	\$ 35.99	\$ 40.93	\$ 18.34	\$ 1,172.95
Percentage of annual OPEB cost contributed.....	71%	33%	57%	32%	39%	62%
Net OPEB obligation.....	\$1,430.27	\$ 523.76	\$ 102.14	\$ 165.97	\$ 86.98	\$ 2,309.12

Funded status of the OPEB plans as of the most recent valuation is as follows (amounts in millions):

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (assets as % of AAL)	Estimated Annual Covered Payroll	UAAL as a Percentage of Annual Covered Payroll
REHP.....	January 1, 2015	\$ 144.74	\$ 16,134.42	\$ 15,989.68	0.90%	\$ 4,289.10	373%
RPSPP.....	January 1, 2015	80.22	3,531.02	3,450.80	2.27%	394.33	875%
Judiciary.....	July 1, 2014	-	502.60	502.60	-	200.60	251%
House.....	July 1, 2014	-	415.27	415.27	-	95.30	436%
Senate.....	July 1, 2014*	-	230.63	230.63	-	48.55	475%
Total.....		\$ 224.96	\$ 20,813.94	\$ 20,588.98		\$ 5,027.88	409%

*Valuation date as of July 1, 2013, rolled forward to July 1, 2014.

The REHP and RPSPP data in the preceding charts was obtained from an actuarial valuation, prepared by an independent actuary, as of January 1, 2015 using census data collected as of December 2014 and health care claims costs for calendar year 2014. The valuation measurements result, in part, from estimates of the value of reported amounts and assumptions about the probability of events far into the future and such actuarially determined estimates are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Also, the valuation measurements are based, in part, on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of cost sharing between the Commonwealth and its employing agencies and the plan members through June 30, 2015. Inherently, the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the

NOTE I - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

employer and plan members in the future. The actuarial measurements were made using a long-term perspective and, consistent with that perspective, the different actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in both actuarial accrued liabilities and the actuarial value of assets.

Specific actuarial assumptions for the REHP and RPSPP:

Actuarial cost method:	Entry Age Normal Level Percent of Pay
Method used to determine actuarial value of assets:	Market Value
Investment returns:	5.25 percent
Inflation rate assumption:	2.75 percent

Healthcare cost trend increases:	<u>Initial Rate</u>		<u>Ultimate Rate</u>	
	REHP	RPSPP	REHP	RPSPP
<u>Medicare-Retiree</u>				
Medical Benefits (REHP)	4.9	--	4.0	--
<u>Non-Medicare Retiree</u>				
Medical Benefits (REHP)	4.9	--	4.0	--
Medical Benefits (RPSPP)	--	4.9	--	4.0
Pharmacy Benefits	4.9	4.9	4.0	4.0
Dental Benefits (RPSPP)	--	4.9	--	4.0
Part B Premiums	--	4.9	--	4.0

Amortization method:	Level percent of payroll
Amortization period:	30 year open amortization (fresh start each year)

Schedules of Funding Progress and Employer Contributions for primary government OPEB plans are included in Required Supplementary Information, immediately following the Notes to the Financial Statements, and include three fiscal years of information about whether the actuarial value of plan assets is increasing or decreasing in relation to the actuarial accrued liability for benefits.

NOTE J - SHORT-TERM DEBT, NOTES PAYABLE AND OTHER FINANCING OBLIGATIONS

Short-Term Debt

On September 8, 2014 the Commonwealth initiated a Short Term Investment Agreement (Investment Agreement) between the Treasury (Treasury) Department's Short Term Investment Pool (STIP) and the Office of the Budget for \$1,500,000. The Investment Agreement is structured as a revolving line of credit, which imposes a market based rate of return, for the exclusive purpose of providing cash for expenses payable from the **General Fund**. The Investment Agreement will provide the benefit, consistent with the public interest, of an alternate means of financing short term revenue shortfalls and avoids unnecessary costs and fees otherwise associated with traditional short term bond financing. Advances to the **General Fund** occurred on: September 15, 2014, \$700,000; on November 14, 2014, \$750,000; and on December 19, 2014 \$50,000. The Investment Agreement will expire on June 30, 2015.

On March 25, 2015 the **General Fund** initiated the transfer of \$1,500,000 to the appropriate Treasury accounts to retire the outstanding advance on the Investment Agreement. Additionally, as per the Investment Agreement, it is calculated that the interest charge for the STIP Investment is \$1,951.

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Advance	\$ -	\$ 1,500,000	\$ 1,500,000	\$ -

On October 6, 2014 the Commonwealth initiated a temporary interfund advance of \$250,000 from the Treasury Department's Short Term Investment Pool (STIP) to the Capital Facilities Fund. This advance was made to remedy cash flow imbalances and to allow work to continue on state-supported construction and improvement projects. The advances were repaid on February 12, 2015. Additionally, as per the Investment Agreement, it is calculated that the interest charge for the STIP Investment is \$438.

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Advance	\$ -	\$ 250,000	\$ 250,000	\$ -

Other Financing Obligations

Pursuant to applicable Commonwealth laws, the Underground Storage Tank Indemnification Fund (USTIF), an Agency Fund, advanced \$67,500 to the **General Fund**. There were no borrowings from, or repayments to, the USTIF during the fiscal year ended June 30, 2015, as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Principal	\$ 67,500	\$ -	\$ -	\$ 67,500

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. Total debt service requirements for the bonds at June 30, 2015 are as follows:

NOTE J – SHORT-TERM DEBT, NOTES PAYABLE AND OTHER FINANCING OBLIGATIONS (continued)

<u>Fiscal Year Ending June 30</u>	<u>Total Other Financing Obligations</u>
2016.....	\$ 13,956
2017.....	13,956
2018.....	13,956
2019.....	13,956
2020.....	18,726
2021-25.....	83,661
2026-30.....	89,773
2031-35.....	124,424
2036-39.....	<u>103,791</u>
Total principal and interest.....	476,199
Less: interest	<u>(257,959)</u>
Total Principal	<u>\$ 218,240</u>

Total bond principal and interest payments made during the fiscal year ended June 30, 2015 amounted to \$23,122 and were financed by \$15,000 from the City (in the form of an annual service fee), \$4,780 from the U.S. Treasury (in the form of a Build America Bonds interest subsidy for Series B of the bonds) and Interest from the Debt Service Reserve fund of \$3,342.

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 \$345,000; a total of \$95,170 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 \$2,120; and the Commonwealth will appropriate a maximum amount of \$33,909 to be financed by the Gaming Fund under the provisions of Act 53 of 2007 to finance total bond principal and interest payments of \$476,199 at June 30, 2015. Amounts to be financed by the Gaming Fund under the provisions of Act 53 of 2007 are established each fiscal year and will vary based on bond trustee investment income and other amounts due under the bond trust indenture and other contractual agreements. No Gaming Fund payment was required for the fiscal year ended June 30, 2015.

A portion of the 2010B bonds were redeemed on September 8, 2014. The amount of redeemed bonds was \$21,150. A revised debt service schedule providing payment amounts to 2039 was enacted. The total principal and interest remaining at June 30, 2015 are \$218,240 and \$257,959 respectively.

NOTE K – GENERAL LONG-TERM OBLIGATIONS – GOVERNMENTAL ACTIVITIES

Long-term obligations of the Commonwealth’s governmental activities at June 30, 2015 and changes therein during the fiscal year ended June 30, 2015 are as follows:

GENERAL LONG-TERM OBLIGATIONS	Issue Dates	Interest Rates	Maturity Dates Through	Bonds Authorized But Unissued	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
General Obligation Bonds Payable From Tax Revenues:								
Capital Facilities.....	2005-15	3.00-5.85%	2035	\$ 114,530,374	\$ 7,434,160	\$ 1,430,000	\$ 1,069,815	\$ 7,794,345
Disaster Relief.....	-	-	-	105,908	-	-	-	-
Land and Water Development.....	-	-	-	300	-	-	-	-
Nursing Home Loan Development.....	-	-	-	31,000	-	-	-	-
Volunteer Companies Loan.....	-	-	-	50,000	-	-	-	-
Vietnam Conflict Veterans Compensation.....								
Water Facilities Loan.....	-	-	-	3,000	-	-	-	-
Pennsylvania Economic Revitalization.....	-	-	-	11,500	-	-	-	-
Pennsylvania Infrastructure Investment Authority.....	2005-13	3.00-5.85%	2033	14,000	530,760	-	31,235	499,525
Local Criminal Justice.....	2006-08	4.00-5.00%	2028	3,000	1,590	-	810	780
Water Supply and Wastewater Treatment.....								
Growing Greener.....	2005-14	3.00-5.85%	2034	8,725	167,220	-	55,965	111,255
Persian Gulf Conflict Veterans Compensation.....	2005-15	3.00-5.85%	2035	26,000	392,475	30,000	114,285	308,190
Compensation.....	2008	4.00-5.00%	2028	13,000	4,860	-	1,615	3,245
Refunding Bonds.....	2004-15	2.00-5.38%	2026	-	2,886,010	782,425	299,900	3,368,535
Total principal.....				114,848,407	11,417,075	2,242,425	1,573,625	12,085,875
Unamortized premium on bonds issued*.....					1,257,854	346,881	707,621	897,114
Unamortized discount on bonds issued*.....					-	(29,365)	(22,907)	(6,458)
Total general obligation bonds payable.....					<u>\$ 114,848,407</u>	<u>2,559,941</u>	<u>2,258,339</u>	<u>\$ 12,976,531</u>
Other General Long-Term Obligations Payable From Tax and Other Revenues:								
Installment Purchase Obligations.....					2,535	864	1,132	2,267
Capital Lease Obligations.....					115,425	-	7,484	107,941
Self-Insurance---Note M **.....					842,048	967,843	829,616	980,275
Compensated Absences **.....					750,506	494,201	493,385	751,322
Pollution Remediation Obligations**.....					213,843	17,116	8,137	222,822
Other**.....					1,461,936	9,319	315,577	1,155,678
Subtotal.....					<u>3,386,293</u>	<u>1,489,343</u>	<u>1,655,331</u>	<u>3,220,305</u>
TOTAL GENERAL LONG-TERM OBLIGATIONS.....					<u>\$ 16,061,222</u>	<u>\$ 4,049,284</u>	<u>\$ 3,913,670</u>	<u>\$ 16,196,836</u>

* Includes reclassification of \$27,924 of bond discount previously netted against premium.

**The reported current liability portion of: Self-Insurance is \$176,081; Compensated Absences is \$154,028; Pollution Remediation Obligation is \$19,411 and Other liabilities is \$211,480.

Total principal “Additions” above, amounting to \$2,242,425 are equal to Bonds Issued of \$1,460,000 and refunding bonds issued of \$782,425 reported in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the fiscal year ended June 30, 2015.

The total “Additions” of \$2,559,941 for General Obligation Bonds Payable at June 30, 2015 consists of total bond and refunding bond proceeds of \$1,657,086 and \$902,855, respectively, for Governmental Funds (including premium of \$346,881 and discount of \$29,365).

NOTE K – GENERAL LONG-TERM OBLIGATIONS – GOVERNMENTAL ACTIVITIES (continued)

The total “Reductions” of \$2,258,339 for General Obligation Bonds Payable at June 30, 2015 consists of total principal repayments of \$1,573,625, plus \$707,621 of bond premium and \$22,907 bond discount that were amortized and posted to bond interest expense in the Statement of Activities (unamortized premium in the Statement of Net Position at June 30, 2015 is \$897,114, unamortized discount is \$6,458).

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 PA Gaming Economic Development and Tourism Fund transferred amounts to Debt Service funds for general obligation bond principal and interest payments. During the fiscal year ended June 30, 2015, these three funds transferred \$1,051,971, \$69,689 and \$35,000 respectively, to the Capital Debt Fund. The Capital Debt Fund reported \$1,173,930 (92 percent) of total Debt Service funds principal and interest expenditures of \$1,275,749. Typically, except for Catastrophic Loss Benefits Claims, which are funded by motorist violation fines, general long-term obligations other than general obligation bonds are mostly funded by the **General Fund** and/or the **Motor License Fund**. In specific, limited instances, a variety of individual funds will fund some obligations, such instances include capital assets being procured using long-term vendor or other financing.

Pollution remediation obligations generally involve groundwater, surface water and/or soil at or adjacent to former manufacturing/industrial locations. Affected landfills have either received specific contaminants and/or are the source of leachate, either on-site or affecting adjacent properties. Contaminants include petroleum, chlorinated and/or polycyclic aromatic hydrocarbons; also, priority pollutant and/or target analyte list metals or lead. Financial responsibility is often coordinated between the Commonwealth, the Federal Environmental Protection Agency and, from time to time, either private responsible or potentially responsible parties. 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, 2015. 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.

Included in “Other” for Other General Long-Term Obligations payable from workers’ compensation insurance carrier assessments, **General Fund**, **Motor License Fund**, and/or other governmental fund tax revenues, investment income and/or escheated property are the following at June 30, 2015:

Workers' Compensation Security Trust claims.....	\$ 439,136
Catastrophic Loss Benefits claims.....	72,591
Public Utility Realty Tax Act (PURTA) liability.....	29,216
Litigation liability - Note N.....	20,000
State Insurance Fund claims.....	4,845
Foster Care litigation liability.....	18,720
Restricted receipts liability.....	7,304
Escheated property liability.....	563,866
Total.....	<u>\$1,155,678</u>

The Workers’ Compensation Security Trust Fund provides for payment of valid claims under the Workers’ Compensation Law to individuals whose employers are insured by insolvent insurance carriers. The Catastrophic Loss Benefits Continuation Fund provides specific benefits to qualifying claimants who sustained severe injuries in motor vehicle accidents. The Public Utility Realty Tax Act (PURTA) provides for a tax on utility realty property whereby amounts received during the fiscal year are used as a **General Fund** revenue source. The Act also provides for payment of a majority of the PURTA revenues as a distribution to local taxing authorities during the following fiscal year (normally in October). Such payments are appropriated for expenditure in the following fiscal year and are, therefore, not expendable during the fiscal year the related revenue is received. Escheated property is held in perpetuity for the rightful owner. The liability represents the estimated property that will ultimately be claimed. This property may be claimed without the appropriation process. None of the “Other” amounts included in General Long-Term Obligations at June 30, 2015 are payable with currently expendable available financial resources.

NOTE K – GENERAL LONG-TERM OBLIGATIONS – GOVERNMENTAL ACTIVITIES (continued)

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 \$63,508,573 as of August 31, 2015, with net debt outstanding after credit for refunded debt of \$10,640,300.

The following tables present annual principal and interest payments for long-term debt outstanding at June 30, 2015:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021-25</u>	<u>2026-30</u>
GENERAL OBLIGATION BONDS:							
Capital Facilities.....	\$ 768,971	\$ 753,170	\$ 741,110	\$ 694,311	\$ 647,598	\$ 3,357,767	\$ 3,346,102
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.....	41,960	39,283	39,090	36,353	38,592	238,844	244,734
Local Criminal Justice.....	136	141	96	103	19	177	360
Water Supply and Wastewater Treatment.....	14,707	13,711	12,294	8,826	5,835	40,939	46,265
Growing Greener.....	37,598	36,005	29,509	28,149	27,123	120,275	125,411
Persian Gulf Conflict Veterans Compensation.....	432	438	433	457	90	846	1,722
Refunding Bonds.....	452,523	442,715	434,220	462,516	460,783	1,486,890	171,682
Total Principal and Interest.....	1,316,327	1,285,463	1,256,752	1,230,715	1,180,040	5,245,738	3,936,276
Less: Interest Payments.....	(558,872)	(536,468)	(499,192)	(460,270)	(421,860)	(1,570,678)	(721,171)
Total General Obligation Bonds.....	757,455	748,995	757,560	770,445	758,180	3,675,060	3,215,105
Other General Long-Term Obligations.....	561,000	235,795	226,958	228,330	238,550	855,854	422,066
TOTAL GENERAL LONG-TERM OBLIGATIONS	\$ 1,318,455	\$ 984,790	\$ 984,518	\$ 998,775	\$ 996,730	\$ 4,530,914	\$ 3,637,171

NOTE K – GENERAL LONG-TERM OBLIGATIONS – GOVERNMENTAL ACTIVITIES (continued)

	<u>2031-35</u>	<u>2036-40</u>	<u>Total</u>
GENERAL OBLIGATION BONDS:			
Capital Facilities.....	\$ 1,407,329	\$ 33,451	\$ 11,749,809
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.....	60,294	-	739,150
Local Criminal Justice.....	-	-	1,032
Water Supply and Wastewater Treatment.....	11,364	-	153,941
Growing Greener.....	29,480	2,754	436,304
Persian Gulf Conflict Veterans Compensation.....	-	-	4,418
Refunding Bonds.....	-	-	3,911,329
	<hr/>	<hr/>	<hr/>
Total Principal and Interest.....	1,508,467	36,205	16,995,983
Less: Interest Payments.....	(140,887)	(710)	(4,910,108)
Total General Obligation Bonds.....	1,367,580	35,495	12,085,875
Other General Long-Term Obligations.....	298,306	153,446	3,220,305
	<hr/>	<hr/>	<hr/>
TOTAL GENERAL LONG-TERM OBLIGATIONS.....	\$ 1,665,886	\$ 188,941	\$ 15,306,180

The Commonwealth routinely leases various facilities and equipment on an ongoing basis. Some of these lease agreements constitute in-substance purchases (capital leases) whereby the assets being leased are reported as capital assets and the related liabilities are reported as Capital Lease Obligations. In addition, the Commonwealth routinely acquires certain capital assets using installment purchase arrangements. The following is a schedule by fiscal year of future minimum payments due for capital leases and installment purchases, together with the present value of the net minimum lease payments as of June 30, 2015:

NOTE K – GENERAL LONG-TERM OBLIGATIONS – GOVERNMENTAL ACTIVITIES (continued)

	Capital Lease Obligations	Installment Purchase Obligations
Fiscal Year Ending June 30		
2016.....	\$ 13,434	1,088
2017.....	7,355	805
2018.....	7,400	276
2019.....	7,426	193
2020.....	7,815	65
2021-25.....	40,389	-
2026-30.....	42,772	-
2031-35.....	<u>45,002</u>	<u>-</u>
Total minimum lease payments.....	171,593	2,427
Less: amount representing estimated executory cost included in minimum lease payments.....	<u>(810)</u>	<u>-</u>
Net minimum lease payments and installment purchases.....	170,783	2,427
Less: amount representing interest.....	<u>(62,842)</u>	<u>(160)</u>
Total Capital Lease and Installment Purchase Obligations.....	<u>\$ 107,941</u>	<u>\$ 2,267</u>

At June 30, 2015, general capital assets included \$197,000 of buildings and \$1,484 of equipment procured by capital leases. A total of \$22,000 in general capital assets have been procured using vendor-financed installment purchase arrangements.

NOTE L - REFUNDED DEBT

During the fiscal year ended June 30, 2015, the Commonwealth issued \$782,425 in general obligation bonds, First Refunding Series of 2015 with an average interest cost of 2.7 percent to advance refund \$841,080 of previously issued general obligation bonds with average interest rates of 4.9 percent. The net refunding bond proceeds of \$900,849 (including bond premium of \$118,428), after payment of underwriting fees and other issuance costs, were deposited in irrevocable trusts 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 \$89,559 and to obtain an economic gain of \$73,439.

A deferred inflow of resources of \$58,961 for net refunding gain was reported in the Statement of Net Position. Bond issuance costs of \$1,690 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, 2015, \$1,536,560 of general obligation bonds outstanding that were previously accounted for in the Commonwealth's financial statements were defeased through advance refunding.

NOTE M – SELF-INSURANCE LIABILITIES

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

Accrued liabilities for tort and transportation claims are established based on reserves computed from the Commonwealth’s claim experience; such claims are not discounted and do not include non-incremental claims adjustment expenses. These liabilities include liabilities for allocated claim adjustment expenditures/expenses and include salvage and subrogation. Salvage and subrogation were not material for the fiscal year ended June 30, 2015. 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, 2015. No settlements exceeded commercial insurance coverage during any of the past three fiscal years.

At June 30, 2015, none of the \$980,275 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** (\$751,118) and the **Motor License Fund** (\$196,726). Business-type activities liabilities are primarily owed by the **State Lottery Fund** (\$1,414), the **State Workers’ Insurance Fund** (\$940), and the State Stores Fund (\$51,602), all Enterprise Funds. All accrued self-insurance liabilities at June 30, 2015 are summarized as follows:

	Governmental Activities		Business-Type Activities		Fiduciary Fund Types	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Employee disability.....	\$ 126,078	\$ 679,203	\$ 8,685	\$ 46,785	\$ 30	\$ 163
Annuitant medical/hospital..	30,503	-	-	-	-	-
Automobile tort.....	3,250	7,058	-	-	-	-
Employee tort.....	5,750	45,300	-	-	-	-
General tort.....	500	11,922	-	-	-	-
Transportation.....	10,000	60,711	-	-	-	-
Totals.....	<u>\$ 176,081</u>	<u>\$ 804,194</u>	<u>\$ 8,685</u>	<u>\$ 46,785</u>	<u>\$ 30</u>	<u>\$ 163</u>

The following summary provides aggregated information on June 30, 2014 reported self-insurance liabilities; incurred claims and payments during the fiscal year ended June 30, 2015 and reported self-insurance liabilities at June 30, 2015:

NOTE M – SELF-INSURANCE LIABILITIES (continued)

	June 30, 2014	Incurred Claims		Payments		June 30, 2015
	<u>Liability</u>	<u>Current</u>	<u>Prior</u>	<u>Current</u>	<u>Prior</u>	<u>Liability</u>
Employee disability.....	\$ 700,487	\$ 87,496	\$ 186,182	\$ 11,274	\$ 101,947	\$ 860,944
Annuitant medical/hospital..	30,996	678,384	-	647,881	30,996	30,503
Automobile tort.....	9,433	3,868	407	1,780	1,620	10,308
Employee tort.....	55,968	8,098	(2,242)	84	10,691	51,049
General tort.....	12,054	855	(74)	48	365	12,422
Transportation.....	73,174	7,856	(2,987)	363	6,968	70,712
Totals.....	<u>\$ 882,112</u>	<u>\$ 786,557</u>	<u>\$ 181,286</u>	<u>\$ 661,430</u>	<u>\$ 152,587</u>	<u>\$ 1,035,938</u>

The following summary provides aggregated information on June 30, 2013 self-insurance liabilities; incurred claims and payments during the fiscal year ended June 30, 2014; and reported self-insurance liabilities at June 30, 2014:

	June 30, 2013	Incurred Claims		Payments		June 30, 2014
	<u>Liability</u>	<u>Current</u>	<u>Prior</u>	<u>Current</u>	<u>Prior</u>	<u>Liability</u>
Employee disability.....	\$ 673,340	\$ 91,590	\$ 47,530	\$ 12,022	\$ 99,951	\$ 700,487
Annuitant medical/hospital..	35,308	624,350	-	593,354	35,308	30,996
Automobile tort.....	8,969	3,347	570	1,389	2,064	9,433
Employee tort.....	55,179	12,358	(7,662)	1	3,906	55,968
General tort.....	13,031	931	(761)	72	1,075	12,054
Transportation.....	79,566	6,942	(5,198)	452	7,684	73,174
Totals.....	<u>\$ 865,393</u>	<u>\$ 739,518</u>	<u>\$ 34,479</u>	<u>\$ 607,290</u>	<u>\$ 149,988</u>	<u>\$ 882,112</u>

NOTE N – COMMITMENTS AND CONTINGENCIES

Construction and Other Commitments: At June 30, 2015 the Department of Transportation (DOT) had contractual commitments of approximately \$977,461 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 \$5,016,104 at June 30, 2015. Actual expenditures are contingent upon approved spending authority and/or availability of financial resources.

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

General Fund.....	\$ 533,923
Motor License Fund.....	160,906
Capital Facilities Fund.....	1,237,663
Other nonmajor funds.....	<u>397,014</u>
Total.....	<u>\$2,329,506</u>

Investment Commitments: At June 30, 2015, the Treasury Commonwealth Investment Program had capital commitments of \$15,000 to fund alternative investments, of which \$11,358 was unfunded. At June 30, 2015, the **Tuition Payment Fund** had capital commitments of \$152,000 to fund alternative investments, of which \$80,571 was unfunded.

Loan and Grant Commitments: At June 30, 2015 primary government funds had approved \$17,225 in loans that had not been disbursed. Also at June 30, 2015 the **Commonwealth Financing Authority (CFA)**, a blended component unit, had approved loans and grants that had not been disbursed of \$286,239.

Operating Lease Commitments: As of June 30, 2015, the Commonwealth has commitments to lease certain buildings and equipment. Future minimum rental commitments for non-cancelable operating leases as of June 30, 2015 were as follows:

Fiscal year ending June 30:	
2016.....	\$ 236,701
2017.....	160,887
2018.....	129,264
2019.....	102,566
2020.....	85,671
2021-25.....	292,010
2026-30.....	<u>27,477</u>
Total Minimum Lease Payments.....	<u>\$ 1,034,576</u>

Rental expenditures/expenses for all operating leases for the fiscal year ended June 30, 2015 amounted to \$309,443.

Child Support Payments: At June 30, 2015, the Commonwealth was contingently liable for approximately \$12,605 in payments received by a contractor to be used for child support payments.

NOTE N – COMMITMENTS AND CONTINGENCIES (continued)

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, 2015 with respect to torts as described in Note M for probable losses, and, separately, other General Long-Term Obligations with respect to litigation cases in the amount of \$20,000 for which the likelihood of an unfavorable outcome is probable.

Additionally, the Commonwealth is currently involved in certain legal proceedings for which the likelihood of an unfavorable outcome is reasonably possible and may impair future revenue sources. Unfavorable outcomes for such cases, which the Commonwealth is vigorously contesting, could range from approximately \$18,000 to \$1,163,000 for the **General Fund**; \$1,000 to \$177,000 for the **Motor License Fund**, a Special Revenue Fund; and \$100 to \$1,000,000 of possible additional liabilities for the State Employees' Retirement System, a fiduciary fund. The range of potential liability for governmental activities is from \$100,000 to \$1,800,000. The liability for these cases has not been recorded as of June 30, 2015.

Federal Grants: The Commonwealth receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs (which are not included in the basic financial statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit Act or to financial and compliance audits by the grantor agencies of the Federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities of the Commonwealth. The Commonwealth is currently involved in administrative and legal proceedings, with certain Federal agencies, contesting various disallowances and sanctions related to Federal Assistance Programs ranging from \$18,000 to \$300,000 at June 30, 2015. The Commonwealth's management believes ultimate disallowances and sanctions, if any, will not have a material effect on the basic financial statements.

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, 2015, the amount of future payments owed to prizewinners was \$665,086. To satisfy its financial obligation to these prizewinners, the **Lottery** purchases annuity contracts from insurance companies whereby the insurance companies make periodic payments to prizewinners. Generally, in the event of insurance company default, the **Lottery** is liable for the related annuity payments. However, certain prizewinners voluntarily assign their annuity rights to other parties and receive lump-sum payments in return. In the event of insurance company default where annuity rights have been voluntarily assigned by prizewinners, the **Lottery** is not liable for the related annuity payments. At June 30, 2015, prizewinners had voluntarily assigned future payments of \$550,536.

Pennsylvania Turnpike Commission (PTC): Through fiscal year ended May 31, 2015, the PTC, a discretely presented component unit, issued \$936,296 of Special Revenue Bonds with an accreted value of \$983,857. 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, 2015, total interest and principal due on the \$983,857 of Special Revenue Bonds outstanding at May 31, 2015 will amount to \$34,565 and \$1,960, respectively. Disclosures related to the PTC's Special Revenue Bonds payable as of May 31, 2015 are provided in Note S to the basic financial statements.

NOTE N – COMMITMENTS AND CONTINGENCIES (continued)

Loan Guarantees: The CFA, through various economic development programs, provided loan guarantees as of June 30, 2015 as follows:

First Industries Loan Guarantees	\$ 38,170
Tax Increment Financing Guarantees	25,085
Second Stage Loan Guarantees	125
New Pennsylvania Venture Guarantees	<u>56,388</u>
Total loan guarantees	<u>\$ 119,768</u>

In the event a borrower is unable to make the required debt service payment on a guaranteed debt issuance, or a loss is incurred on the aggregate guaranteed investment portfolio, the CFA is required to make payment. The guarantees related to the New Pennsylvania Venture Guarantee Program extend throughout the life of the investment portfolio. The guarantees related to the Tax Increment Financing Guarantee, Second Stage Loan, and First Industries programs extend through July 1, 2032, September 1, 2016, and April 1, 2036, respectively, as of June 30, 2015.

The CFA has recognized a liability for nonexchange financial guarantees at June 30, 2015 of \$9,874 and has made cumulative payments of \$6,832 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
<u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>		<u>June 30, 2015</u>
\$ 8,182	\$ 2,663	\$ 971		\$ 9,874

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, 2015 the primary government paid a Service Fee in the amount of \$142,737. Disclosures related to the CFA's \$1,702,893 of revenue bonds payable are provided in Note F to the basic financial statements.

Primary Government Commitment for the Pittsburgh Penguins Arena: A lease agreement between the Commonwealth and the Sports and Exhibition Authority of Pittsburgh and Allegheny County (SEA) created a 'subject to appropriation' obligation of the Commonwealth. In October 2007, the SEA issued \$313,300 of Commonwealth Lease Revenue Bonds (the Arena Bonds) to finance a multi-purpose arena to serve as home of the Pittsburgh Penguins (the Penguins), a hockey team in the National Hockey League. The Arena Bonds are not debt of the Commonwealth but are limited obligations of the SEA payable

NOTE N – COMMITMENTS AND CONTINGENCIES (continued)

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 currently are projected to be adequate to pay all debt service on the Arena Bonds, to the extent such revenues are in any year inadequate to cover debt service, the Commonwealth is obligated under the Arena Lease to fund such deficiency, subject in all cases to appropriation by the General Assembly. The maximum annual amount payable by the Commonwealth under the Arena Lease is \$19,100.

In April 2010, the SEA issued \$17,360 in additional Commonwealth Lease Revenue Bonds (the Supplemental Arena Bonds). The Supplemental Arena Bonds do not constitute debt of the Commonwealth but are limited obligations of the SEA payable solely from the Special Revenues pledged therefor. The Commonwealth is obligated under the Arena Lease to fund any deficiency in Special Revenues necessary to pay debt service; subject in all cases to appropriation by the General Assembly. For fiscal year ended June 30, 2015 the actual amount appropriated to support the SEA debt service was \$739.

NOTE O - CERTAIN AGENCY FUND CLAIMS LIABILITIES

The Pennsylvania Medical Care Availability and Reduction of Error Fund (Fund), an Agency Fund, acts as a service agent to facilitate the payment of medical malpractice claims to claimants which exceed basic liability coverage carried by healthcare providers practicing in the Commonwealth. The Fund collects statutory healthcare provider surcharges, as a percentage of insurance premiums for basic liability coverage; in turn, the Fund pays claimants on behalf of healthcare providers. The Fund has assets of \$283,761 at June 30, 2015. The actuarially computed liability for outstanding claims for injuries caused by alleged negligence by certain healthcare providers totaled \$1,190,000 at June 30, 2015. 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), an Agency 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 estimated actuarial liability for existing and potential future claims total \$398,149 and \$1,316,262 respectively, at June 30, 2015. 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, 2015. The USTIF has assets of \$304,802 at June 30, 2015. Owners and operators will be assessed for any claims exceeding assets and no financial liability is reported for those claims.

NOTE P - DEFERRED COMPENSATION PLAN

The Commonwealth sponsors a deferred compensation plan (the Deferred Compensation Program) for its employees, which is a defined contribution benefit plan, created in accordance with Internal Revenue Code Section 457. The plan, which is administered by the State Employees' Retirement System, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency. The Commonwealth makes no contributions to the plan; contributions are limited to voluntary, participating employee salary deferrals, and/or employee transfers from other plans. Contributions for the calendar year 2014 were \$129,472.

NOTE Q - 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 Commonwealth Retired Employee Health Program and the Retired Pennsylvania State Police Program. 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, 2015, total employer contributions for active employees amounted to approximately \$944,432; active employee contributions amounted to approximately \$120,783. Neither the Commonwealth nor the unions have an equity interest in the PEBTF.

At June 30, 2015, for the active employees benefit program, the PEBTF reported total assets of \$467,959, total liabilities of \$2,508, total benefit obligations of \$100,690, and an excess of net assets over benefit obligations of \$364,761. During the fiscal year ended June 30, 2015 the PEBTF reported an increase in net assets over benefit obligations of \$70,720 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, 2015. 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 R – SUBSEQUENT EVENTS**Bond Redemption**

In July 2015, the Department of Labor & Industry, through the Pennsylvania Economic Development Financing Authority, called \$77 million Series 2012 B Unemployment Compensation Revenue Bonds for early redemption. The bonds were redeemed at face value with an original maturity date of July 01, 2023 and carried an interest rate of 5%.

Short Term Debt

On January 5, 2016 the Commonwealth initiated a Short Term Investment Agreement (Investment Agreement) between the Treasury Department's Short Term Investment Pool and the Office of the Budget for \$2,000,000. The Investment Agreement is structured as a revolving line of credit, which imposes a market based rate of return, for the exclusive purpose of providing revenue for the general purposes of the Commonwealth and such other expenses payable from the **General Fund**. The Investment Agreement will provide the benefit, consistent with the public interest, of an alternate means of financing short term revenue shortfalls and avoids unnecessary costs and fees otherwise associated with traditional short-term bond financing. On January 6, 2016 the Treasury advanced \$1,000,000 to the General Fund. The Investment Agreement will expire on June 30, 2016.

NOTE 5 – DISCRETELY PRESENTED COMPONENT UNITS

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

Restatements

The Pennsylvania Turnpike Commission (PTC), the Pennsylvania Housing Finance Agency (PHFA), the Pennsylvania Higher Education Assistance Agency (PHEAA), the Pennsylvania Infrastructure Investment Authority (PENNVEST) and the State System of Higher Education (SSHE) adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement date – an amendment of GASB Statement No. 68* for the fiscal year ended June 30, 2015 (May 31, 2015 for the PTC). Statement No. 68, as amended by Statement No. 71 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The following tables reflect the aggregate restatement impact on the beginning net position:

Statement of Net Position

	PTC				
	(June 1, 2014)	PHFA	PHEAA	PENNVEST	SSHE
Net position, as previously reported, at June 30, 2014....	\$ (3,300,455)	\$ 750,273	\$ 1,028,703	\$ 3,287,029	\$ 1,096,813
Implementation of GASB 68 and 71.....	(266,379)	(18,964)	(270,031)	(4,250)	(720,878)
Net position, as restated, at July 1, 2014.....	\$ (3,566,834)	\$ 731,309	\$ 758,672	\$ 3,282,779	\$ 375,935

Please refer to the individual component unit separately audited and issued financial statements for additional restatement detail.

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

DPCU organizations typically control receipt and disbursement of their own deposits, often through a trustee. Enabling legislation provides varying authority for investments; several DPCU organizations participate in the Commonwealth Investment Program (CIP).

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.

All cash deposits held in various financial institutions for the PTC were either insured or collateralized by a pledge of direct obligations of the United States Government or the Commonwealth or otherwise in accordance with the laws of the Commonwealth governing trust funds of public bodies.

NOTE 5 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

The PHFA held \$51,552 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 PHEAA held \$19,600 of deposits with financial institutions in excess of federal depository insurance limits that were uninsured.

The majority of PENNVEST deposits are held in the CIP. Deposits of the CIP must be held in insured depositories and must be fully collateralized.

The SSHE held \$16,770 of uninsured and uncollateralized deposits of which \$16,110 is covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971, as amended.

Investment Risks

Risk Management Policies: DPCU policies for certain risks are established by governing boards and bond indentures. Credit quality risk is addressed by establishing minimum nationally recognized statistical rating organization (NRSRO) ratings for allowable investment purchases. Concentration of credit risk is also avoided by limiting the concentration of investments in any one issuer. Some organizations have policies in place that prohibit a certain percent of the overall portfolio, whereas others determine concentration limits based on security type. Custodial credit risk is typically avoided through registration.

The PTC investment policies established by its bond indentures and the PTC management define guidelines and operational factors governing the investment of financial assets. Management's policy generally has the same restrictions regarding permitted investments as the indentures. Allowable investments include obligations of, or obligations guaranteed by, the United States of America, its agencies, and its instrumentalities; certificates of deposit issued by institutions insured by the FDIC or fully collateralized with United States Government obligations; investment agreements with certain financial institutions; commercial paper and asset-backed securities rated in the highest category by applicable rating agencies; money market funds and auction rate certificates rated in one of the two highest categories by applicable rating agencies; corporate bonds and medium term notes with a minimum rating of AA-; investments in bonds or notes issued by any state or municipality which are rated by S&P, Moody's 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 in the bond trust indentures govern the investment policies of the PHFA. The Housing Finance Agency Law, Act of December 3, 1959, P.L. 1688 and bond indentures provide the authority to invest all PHFA funds. In compliance with the Act and bond indentures, it is the policy of the PHFA to invest in securities that provide suitable returns, preserve principal, meet liquidity needs and to further the purposes of the PHFA. The PHFA mitigates its credit risk by limiting investments to those permitted in its deposit and investment policies, diversifying the investment portfolio and prequalifying firms with which PHFA administers its investment activities.

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

NOTE 5 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

The trust indenture and the Commonwealth Fiscal Code, as amended, authorizes PENNVEST to invest in obligations of the U.S. government and government-sponsored agencies and instrumentalities; certificates of deposits, fully insured or collateralized; certain commercial paper and repurchase agreements, highly rated bank promissory notes or investment of funds or trusts; and “prudent man” investments as determined by PENNVEST’s depository.

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

Investments by Type

The investment types and related amounts for certain DPCUs at June 30, 2015 (May 31, 2015 for the PTC) are as follows:

<u>Investment Type</u>	<u>PTC</u>	<u>PHFA</u>	<u>PHEAA</u>	<u>PENNVEST</u>	<u>SSHE</u>
Asset-backed securities.....	\$ -	\$ -	\$ -	\$ -	\$ 111,711
Bond mutual funds.....	-	-	-	-	5,904
Commercial paper.....	-	-	21,694	-	158,540
Common stock.....	-	-	-	-	2,618
Corporate obligations.....	395,451	-	-	-	242,374
Debt securities.....	-	-	-	-	81
Derivatives.....	23,317	-	-	-	-
Equity/balanced mutual funds.....	-	-	-	-	37,812
Federal agency discount notes.....	-	-	61,251	-	-
GNMA mortgages.....	5,602	-	-	-	-
Money market mutual funds.....	-	-	318,485	-	62,832
Mortgage backed securities.....	-	210,925	-	-	251,458
Municipal bonds.....	157,723	-	-	-	-
Securities lending collateral.....	-	-	-	16,755	-
Commonwealth Investment Program.....	-	-	622,363	1,101,622	-
U.S. Government and agency obligations.....	201,540	54,811	-	-	440,144
U.S. Treasury obligations.....	179,971	3,527	-	-	-
Total investments.....	963,604	269,263	1,023,793	1,118,377	1,313,474
Certificates of deposit.....	-	-	-	-	14
Total investments and certificates of deposits..	\$ 963,604	\$ 269,263	\$ 1,023,793	\$ 1,118,377	\$ 1,313,488

Note: Total investments by type does not include \$551,911 of investments reported by component units of the SSHE.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the organizations’ investment in a single issuer.

The PTC’s investment policy defines permitted investments along with the following concentration limitations. Investments in any single Federal agency are limited to 35 percent of the portfolio. Investments in certificates of deposit and investment agreements are limited to 30 percent of the portfolio and combined exposure to commercial paper, corporate bonds, and asset-backed securities, in aggregate, is limited to 35 percent of the total

NOTE 5 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

portfolio. Investments in any single issuer, excluding U.S. Treasury and Federal Agencies, are limited to 5 percent of the portfolio.

The PHFA policy indicates that the proportion of investments in government securities shall not exceed 70 percent of the portfolio and the proration of investments in certificates of deposit shall not exceed 30 percent of the portfolio. As of June 30, 2015, concentrations in government securities, which represented 100 percent of the portfolio, exceed the policy. Departure from the policy was approved by the Executive Director, as permitted by PHFA Investment Policy and Guidelines. Concentration limits are not established in the bond indentures and governing agreements for trust investments.

The PHEAA investment policy does not contain requirements that limit the amount that can be invested in any one issuer. As of June 30, 2015, the PHEAA had investments in federal agency discount notes (Federal Home Loan Bank) that represented 6 percent of their total investments.

The PENNVEST participates in the CIP managed by the Commonwealth. The Commonwealth places a 10 percent 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 percent 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 percent of market value of the fund. Commercial paper investments must not exceed 20 percent 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 percent of the market value of the fund. Corporate bonds may not exceed 20 percent of the market value of the fund; 15 percent must carry a long-term debt rating of A or better while 5 percent 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 percent of the market value of the fund. Asset-backed securities must be Aaa rated and the total may not exceed 20 percent of the market value of the fund, with no more than 5 percent invested in any single issuer. Investment fund loans may not exceed 20 percent of the market value of the fund and the loan terms may not exceed 5 years.

The following concentration existed as of June 30, 2015:

<u>Issuer Name</u>	<u>PHFA</u>
Government National Mortgage Association.....	\$ 126,117
Tennessee Valley Authority.....	54,567
Federal Farm Credit Bank.....	30,641
Federal Home Loan Mortgage Corporation.....	21,990
Federal Home Loan Bank.....	21,961
	<u>\$ 255,276</u>

NOTE 5 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

Credit Risk: The following table discloses aggregate fair value, by Moody’s or Standard and Poor’s credit quality rating category, at June 30, 2015 (May 31, 2015 for the PTC):

Moody's Investors Service	PTC	PHFA	PHEAA	PENNVEST	SSHE
Aaa.....	\$ -	\$ 52,602	\$ -	\$ -	\$ 861,324
Aa	14,679	-	-	-	41,113
A.....	8,031	-	-	-	139,326
Baa.....	607	-	-	-	56,860
P1.....	-	-	-	-	168,364
Moody's Investors Service subtotal.....	23,317	52,602	-	-	1,266,987
Standard and Poor's					
AAA.....	114,297	-	318,485	-	-
AA.....	573,158	-	-	-	-
A.....	66,615	-	21,694	-	-
Below A.....	644	-	-	-	-
Standard and Poor's subtotal.....	754,714	-	340,179	-	-
Rated Subtotal.....	778,031	52,602	340,179	-	1,266,987
Unrated					
Bond mutual funds.....	-	-	-	-	5,904
Debt securities.....	-	-	-	-	81
Federal agency discount notes.....	-	-	61,251	-	-
Mortgage backed securities.....	-	158,323	-	-	-
Commonwealth Investment Program.....	-	-	622,363	1,101,622	-
U.S. Treasury obligations.....	179,971	3,527	-	-	-
U.S. Government agency obligations.....	5,602	54,811	-	-	72
Unrated subtotal.....	185,573	216,661	683,614	1,101,622	6,057
Total Fixed income investments.....	963,604	269,263	1,023,793	1,101,622	1,273,044
Variable income investments					
Equity/balanced mutual funds.....	-	-	-	-	37,812
Common stock.....	-	-	-	-	2,618
Variable income investments subtotal....	-	-	-	-	40,430
Total investments.....	\$ 963,604	\$ 269,263	\$ 1,023,793	\$ 1,101,622	\$ 1,313,474

Note: Total investments does not include \$551,911 reported by component units of the SSHE.

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 5 – 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, 2015 and the SSHE at June 30, 2015:

Investment Type	PTC		SSHE		
	Amount	Option-Adjusted Duration	Amount	Option-Adjusted Duration	Securities with no Duration
Asset backed securities.....	\$ -	-	\$ 111,711	0.76	\$ -
Bond mutual funds.....	-	-	5,904	4.73	-
Certificates of deposit.....	-	-	-	-	14
Commercial paper.....	-	-	158,540	0.30	-
Corporate obligations.....	395,451	2.03	242,374	1.3	-
Debt securities.....	-	-	81	4.17	-
GMNA mortgages.....	5,602	3.06	-	-	-
Money market mutual funds.....	-	-	-	-	62,832
Mortgage-backed securities.....	-	-	251,458	2.74	-
Municipal bonds.....	157,723	2.38	-	-	-
U.S. Government agency obligations.....	201,540	2.79	440,144	2.62	-
U.S. Treasury obligations.....	179,971	3.14	-	-	-
Total.....	\$940,287		\$ 1,210,212		\$ 62,846

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, 2015:

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.....	\$ 3,990	\$ 80,453	\$ 126,482	\$ 210,925
U.S. Government agency obligations..	85	159	54,567	54,811
U.S. Treasury obligations.....	1,063	2,464	-	3,527
Total.....	\$ 5,138	\$ 83,076	\$ 181,049	\$ 269,263

Investment Type	PHEAA			
	Matures in less than 1 year	Matures in 1 to 10 years	Matures in more than 10 years	Total
Commercial paper.....	\$ 21,694	\$ -	\$ -	\$ 21,694
Money market mutual funds.....	318,485	-	-	318,485
Commonwealth Investment Program.	622,363	-	-	622,363
Federal agency discount notes.....	61,251	-	-	61,251
Total.....	\$1,023,793	\$ -	\$ -	\$ 1,023,793

NOTE 5 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

Derivatives

As of May 31, 2015, the PTC in its separately-issued financial statements reported noncurrent hedging derivative instrument liabilities of \$109,323 which were offset by reported deferred outflow of resources of \$109,323. Changes in the net fair value of the hedging derivative instruments during the fiscal year ended May 31, 2015 (\$59,639) were deferred.

As of June 30, 2015, the PHFA, in its separately-issued financial statements, reported a noncurrent hedging derivative instrument liability of \$36,607. Changes in the fair value of the hedging derivatives of \$15,836 were deferred.

Further information regarding the nature and notional value of the hedging and investment derivative instruments of the PTC (as of May 31, 2015) and the PHFA (as of June 30, 2015) are available within their separately audited and issued financial statements.

Loans Receivable

Loans receivable at June 30, 2015 consisted of the following:

	<u>PHFA</u>	<u>PHEAA</u>	<u>PENNVEST</u>
Mortgage loans.....	\$ 3,601,543	\$ -	\$ -
Student loans.....	-	6,935,006	-
Drinking water, storm water and sewer system loans.....	-	-	2,571,937
Subtotal.....	3,601,543	6,935,006	2,571,937
Less: allowance for uncollectible amounts.....	195,719	20,871	53,488
Loans receivable, net.....	<u>\$ 3,405,824</u>	<u>\$ 6,914,135</u>	<u>\$ 2,518,449</u>

NOTE 5 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

Capital Assets

A summary of capital assets by category at May 31, 2015 for PTC and June 30, 2015 for SSHE is as follows:

PTC	Balance			Balance
	May 31, 2014	Increases	Decreases	May 31, 2015
Non-depreciable capital assets:				
Land and intangibles.....	\$ 289,900	\$ 20,618	\$ -	\$ 310,518
Construction in progress.....	790,396	573,376	406,788	956,984
Subtotal.....	1,080,296	593,994	406,788	1,267,502
Depreciable capital assets:				
Buildings.....	905,235	31,411	129	936,517
Improvements other than buildings.....	114,009	3,322	-	117,331
Equipment.....	570,115	23,106	1,998	591,223
Infrastructure.....	7,345,336	372,596	4,744	7,713,188
Subtotal.....	8,934,695	430,435	6,871	9,358,259
Accumulated depreciation:				
Buildings.....	331,972	22,402	105	354,269
Improvements other than buildings.....	67,922	5,293	-	73,215
Equipment.....	420,547	30,998	1,744	449,801
Infrastructure.....	4,280,189	278,971	245	4,558,915
Total accumulated depreciation.....	5,100,630	337,664	2,094	5,436,200
Total capital assets being depreciated, net..	3,834,065	92,771	4,777	3,922,059
Total capital assets.....	\$ 4,914,361	\$ 686,765	\$ 411,565	\$ 5,189,561

SSHE	Balance			Balance
	June 30, 2014	Increases	Decreases	June 30, 2015
Non-depreciable capital assets:				
Land and intangibles.....	\$ 32,360	\$ -	\$ -	\$ 32,360
Construction in progress.....	70,206	65,737	36,799	99,144
Subtotal.....	102,566	65,737	36,799	131,504
Depreciable capital assets:				
Buildings.....	2,039,800	18,588	2,203	2,056,185
Improvements other than buildings.....	264,498	10,281	-	274,779
Equipment.....	454,757	15,292	15,921	454,128
Library books.....	83,690	894	2,644	81,940
Subtotal.....	2,842,745	45,055	20,768	2,867,032
Accumulated depreciation:				
Buildings.....	777,255	79,045	13,342	842,958
Improvements other than buildings.....	121,584	10,379	439	131,524
Equipment.....	355,366	28,215	22,374	361,207
Library books.....	74,298	2,013	2,648	73,663
Total accumulated depreciation.....	1,328,503	119,652	38,803	1,409,352
Total capital assets being depreciated, net..	1,514,242	(74,597)	(18,035)	1,457,680
Total capital assets.....	\$ 1,616,808	\$ (8,860)	\$ 18,764	\$ 1,589,184

Note: Capital assets do not include \$1,178,479 and \$1,249,476 reported by the component units of the SSHE as of June 30, 2014 and 2015, respectively.

NOTE 5 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

Service Concession Arrangements

There are 17 service plazas along the Turnpike System providing gasoline and diesel fuel, other automotive supplies and services, and restaurant services. The PTC has entered into long term service plaza redevelopment agreements with HMSHost Restaurants, LLC and Sunoco, Inc. to design, reconstruct, finance, operate and maintain all of the service plazas. The PTC has no responsibility for maintaining the service plazas under the agreements. The PTC maintains the ability to approve and/or modify the services that the operators can provide and the rates that can be charged. The service plaza operators are compensated by the users of the services and share a portion of that revenue with the PTC as rental payments. Upon completion of construction, the reconstructed assets are recognized by the PTC. The current contracts with HMSHost Restaurants, LLC and Sunoco, Inc. expire on August 25, 2036 and January 31, 2022, respectively. Sunoco, Inc.'s lease may be extended for three additional five-year periods. The first extension shall be at the discretion of Sunoco, Inc., and the second and third extensions shall be mutually agreed to by both parties. As of May 31, 2015, the PTC had capitalized \$108,100 in assets representing 14 service plazas that had fully completed construction and recorded deferred inflows of resources of \$90,100 related to these assets in accordance with GASB Statement No. 60. Also, as of May 31, 2015 and in accordance with GASB Statement No. 60, the PTC recognized a receivable and deferred inflow of resources in the amount of \$30,600 for the present value of guaranteed minimum rent payments scheduled to begin upon completion of all construction.

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

In December 2010, the PENNVEST issued the first series of short term obligations to finance the issuance of loans to program participants. In October 2011 the first amendment was issued. These obligations were in the form of bonds, and bear interest, which is due upon maturity. During the fiscal year ended June 30, 2015, the PENNVEST issued thirty six such obligations in the aggregate principal amount of \$583,000 and repaid thirty two of these in the aggregate principal amount of \$560,000. Interest rates on these bonds ranged from .12 percent to .03 percent with no maturity being greater than 120 days. As of June 30, 2015, \$74,000 of these obligations remained outstanding. PENNVEST used a letter of credit to finance the \$560,000 repayment and repaid all balances owed for the letter of credit during the fiscal year ended June 30, 2015. A schedule of changes in the short-term obligations and the letter of credit follows:

	Balance			Balance
	July 1, 2014	Additions	Reductions	June 30, 2015
Notes Payable.....	\$ 51,000	583,000	560,000	\$ 74,000
Letter of Credit.....	\$ -	560,000	560,000	\$ -

NOTE 5 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

The PHEAA has reported \$268,400 of auction rate security bonds payable, \$6,487,612 of notes payable (consisting of student loan financings of \$200,000, student loan financing warehouse facility of \$903,779 and student loan floating rate notes of \$5,383,833), and \$39,035 of other obligations (consisting of capital acquisition refunding bonds of \$32,755 and term financings of \$6,280) at June 30, 2015 as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Bonds payable:				
Student loan auction rate security bonds, due 2042-2045, at weighted-average rates of 1.45 percent as of June 30, 2015 and 1.19 percent as of June 30, 2014.....	\$ 1,681,200	\$ -	\$ 1,412,800	\$ 268,400
Notes payable:				
Student loan floating rate notes, due 2020-2046 at weighted average rates of 0.87 percent as of June 30, 2015 and 0.76 percent as of June 30, 2014.....	4,953,015	1,283,600	838,030	5,398,585
Less: discount on student loan floating rate notes.....	(12,658)	(4,081)	1,987	(14,752)
Subtotal.....	4,940,357	1,279,519	840,017	5,383,833
Student loan financings, due 2017 at weighted-average rates of 0.94 percent as of June 30, 2015 and 0.90 percent as of June 30, 2014	200,000	-	-	200,000
Student loan financing warehouse facilities, due 2016, at weighted average rates of 1.01 percent as of June 30, 2015 and 1.13 percent as of June 30, 2014.....	244,140	1,649,158	989,519	903,779
Total notes payable.....	\$ 5,384,497	\$ 2,928,677	\$ 1,829,536	\$ 6,487,612
Capital acquisition refunding bonds, Series of 2012, due 2015-2022, at weighted-average rates of 4.15 percent as of June 30, 2015 and June 30, 2014.....	\$ 33,600	\$ -	\$ 3,660	\$ 29,940
Term financings, due 2029, at zero percent interest as of June 30, 2015 and 2014.....	6,280	-	-	6,280
Subtotal.....	39,880	-	3,660	36,220
Plus: unamortized premium.....	3,552	-	737	2,815
Total capital and other financing obligations	\$ 43,432	\$ -	\$ 4,397	\$ 39,035

The note and bond indentures, among other things, require the PHEAA to comply with various covenants. Student loans and investments collateralize all student loan financings. As of June 30, 2015, \$7,000,000 of student loan principal and related interest receivable and \$253,300 of cash equivalents collateralized the \$6,800,000 of student loan financings and notes and bonds payable.

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 \$200,000 of student loan financings and \$29,900 of capital acquisition refunding bonds, Series of 2012, which are borrowings from the Commonwealth’s Treasury Department.

PHEAA reported debt service requirements subsequent to June 30, 2015, based upon stated maturities for student loan bonds and estimated interest payments for variable-rate debt after considering terms renegotiated after June 30, 2015 are as follows:

NOTE 5 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

<u>Year of maturity</u>	<u>Student Loan Bonds and Notes</u>		<u>Other Financing Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016.....	\$ 903,779	\$ 60,805	\$ 3,745	\$ 2,050
2017.....	-	53,027	3,895	998
2018.....	200,000	51,193	4,055	833
2019.....	-	51,039	4,230	661
2020.....	-	51,039	4,415	482
2021-25.....	24,966	255,073	9,600	398
2026-30.....	700,806	243,512	6,280	-
2031-35.....	-	224,742	-	-
2036-40.....	2,058,885	176,946	-	-
2041-45.....	2,867,478	50,477	-	-
2046-50.....	14,850	330	-	-
Total.....	\$ 6,770,764	\$ 1,218,183	\$ 36,220	\$ 5,422

Reported as:

Total principal owed on student loan

auction rate security bonds payable.....	\$ 268,400	\$ -
Notes payable - current.....	903,779	-
Notes payable - non-current.....	5,583,833	-
Discount on student loan floating rate notes.....	14,752	-
Other financing obligations, current.....	-	3,745
Other financing obligations, non-current.....	-	35,290
Unamortized premium.....	-	(2,815)
Total principal	\$ 6,770,764	\$ 36,220

The PHEAA reported \$6,800,000 of its total \$7,000,000 of student loan bonds, notes, and financings as variable-rate debt, of which, interest rates on \$268,400 reset based upon auctions every 28 days, \$5,600,000 is indexed to the one-month or three-month LIBOR (London interbank offered rate), \$903,779 is indexed to the asset-backed commercial paper rate. PHEAA notes and bonds payable, as well as all other debt, are limited obligations of the PHEAA, payable only from related pledged assets.

In addition to the PHEAA’s reported current notes payable of \$903,779 at June 30, 2015, PENNVEST reported current notes payable of \$74,000. Also, in addition to the PHEAA’s reported non-current notes payable of \$5,583,833 at June 30, 2015, Component Unit (CU) organizations of the SSHE reported non-current notes payable of \$296,239.

NOTE 5 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

Long-Term Obligations

Significant revenue bond obligations of PTC (as of May 31, 2015) and PHFA (as of June 30, 2015), changes during the fiscal year and annual principal and interest payments for long-term debt outstanding are as follows:

REVENUE BONDS PAYABLE	Issue Dates	Interest Rates	Maturity Dates Through	Balance			Balance
				June 1, 2014	Additions	Reductions	May 31, 2015
PTC.....	2003-15	various	2049	\$ 9,504,379	\$ 1,417,507	\$ 792,625	\$ 10,129,261
Less: unamortized bond discount.....				(8,226)	-	(667)	(7,559)
Add: unamortized bond premium.....				211,752	114,310	12,356	313,706
TOTAL				\$ 9,707,905	\$ 1,531,817	\$ 804,314	\$ 10,435,408

Year of Maturity	Principal	Interest	Total
2016.....	\$ 238,150	\$ 397,210	\$ 635,360
2017.....	262,690	427,913	690,603
2018.....	266,500	426,052	692,552
2019.....	284,485	439,375	723,860
2020.....	293,725	433,303	727,028
2021-25.....	1,451,013	2,032,793	3,483,806
2026-30.....	1,359,378	1,772,108	3,131,486
2031-35.....	1,949,950	1,394,918	3,344,868
2036-40.....	2,240,898	950,788	3,191,686
2041-45.....	1,447,212	346,767	1,793,979
2046-50.....	335,260	56,108	391,368
Total.....	\$ 10,129,261	\$ 8,677,335	\$ 18,806,596

REVENUE BONDS & NOTES PAYABLE	Issue Dates	Interest Rates	Maturity Dates Through	Balance			Balance
				July 1, 2014	Additions	Reductions	June 30, 2015
PHFA.....	1999-2015	various	2045	3,333,465	128,795	477,265	2,984,995
Add: unamortized bond premium.....				6,548	-	477	6,071
TOTAL				\$ 3,340,013	\$ 128,795	\$ 477,742	\$ 2,991,066

Year of Maturity	Principal	Interest	Total
2016.....	\$ 113,220	\$ 76,281	\$ 189,501
2017.....	122,680	73,647	196,327
2018.....	129,375	70,822	200,197
2019.....	134,130	67,810	201,940
2020.....	151,190	64,622	215,812
2021-25.....	606,010	274,634	880,644
2026-30.....	593,000	206,463	799,463
2031-35.....	607,000	125,196	732,196
2036-40.....	459,010	51,201	510,211
2041-45.....	69,380	3,289	72,669
Total.....	\$ 2,984,995	\$ 1,013,965	\$ 3,998,960

NOTE 5 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

The table below presents significant bond obligations of SSHE at June 30, 2015 and changes during the fiscal year then ended, followed by principal and interest payments for long-term debt outstanding.

BONDS PAYABLE	Issue		Maturity	Balance			Balance
	Dates	Interest Rates	Dates Through	July 1, 2014	Additions	Reductions	June 30, 2015
SSHE.....	2004-15	various	2039	\$ 859,890	\$ 94,975	\$ 154,410	\$ 800,455

Year of Maturity	Principal	Interest	Total
2016.....	\$ 55,890	\$ 38,408	\$ 94,298
2017.....	62,100	35,235	97,335
2018.....	61,445	32,242	93,687
2019.....	64,955	29,299	94,254
2020.....	72,260	26,212	98,472
2021-25.....	266,190	87,100	353,290
2026-30.....	137,905	36,321	174,226
2031-35.....	64,675	11,310	75,985
2036-40.....	15,035	1,154	16,189
Total.....	\$800,455	\$ 297,281	\$ 1,097,736

Note: The total principal obligations outstanding does not include \$1,232,289 in bonds payable and \$296,239 in notes payable reported by component units of the SSHE.

Conduit Debt

The PHFA is financing a portion of housing projects through the issuance of limited obligation or special limited obligation bonds to provide more affordable housing in the Commonwealth. These bonds are secured solely by the specific housing properties and related revenues or by appropriations to be paid by the U.S. Department of Housing and Urban Development. At June 30, 2015, the PHFA had \$126,494 of such bonds outstanding. Neither the PHFA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds payable are reported in the accompanying financial statements.

The State Public School Building Authority (SPSBA) finances construction and improvement projects for public schools through the issuance of tax-exempt instruments (bonds, notes or other obligations) for the purpose of making lower cost tax-exempt financing available to school districts and community colleges. The debt instruments issued by SPSBA represent limited obligations payable solely from lease/loan payments made by the borrowing institutions and related assets held by trustees. At June 30, 2015, the SPSBA had \$3,095,473 of debt outstanding. Neither the SPSBA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds are reported in the accompanying financial statements.

The Pennsylvania Higher Educational Facilities Authority (PHEFA) finances projects through the issuance of tax-exempt instruments (bonds, notes or other obligations) to provide a source of tax-exempt financing for colleges and universities. The debt instruments issued by the PHEFA represent limited obligations payable solely from payments made by the related borrowing institutions and related assets held by the trustees. At June 30, 2015, the PHEFA had \$6,619,841 of debt outstanding. Neither the PHEFA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds are reported in the accompanying financial statements.

The Pennsylvania Economic Development Financing Authority (PEDFA) finances projects on behalf of local industrial and commercial development authorities to promote economic growth within the Commonwealth. Revenue bonds issued by the PEDFA represent limited obligations payable solely from PEDFA financed project revenues. At June 30, 2015, the PEDFA had \$6,425,061 of debt outstanding of which \$3,864,776 represented

NOTE 5 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

conduit debt. Neither the PEDFA nor the Commonwealth has any obligation for this conduit debt. Therefore, neither the financed assets nor the bonds are reported in the accompanying financial statements.

Refunded Debt**PTC**

In June 2014, the PTC issued \$69,870 2014 Series B-2 Senior Bonds at a variable rate with a maturity date of December 1, 2016. The 2014 B-2 Senior Bonds were issued primarily for the current refunding of existing variable rate debt which included the PTC's 2009 Series C Bonds Variable Rate Revenue Bonds (\$52,070) and the PTC's 2011 Series D Variable Rate Revenue Bonds (\$17,455). The bonds were also issued for payment of the costs of issuance for the 2014 Series B-2 Senior Bonds.

In November 2014, the PTC issued \$239,620 2014 Series Refunding Senior Bonds at a fixed rate with a maturity date of December 1, 2034. The 2014 Series Refunding Senior Bonds were issued primarily to current refund the 2004 Series A Senior Bonds and for the payment of the costs of issuance of the 2014 Series Refunding Senior Bonds. The current refunding of the 2004 Series A Senior Bonds allowed the PTC to reduce its debt service by approximately \$57,000. The transaction resulted in an economic gain of approximately \$40,100.

In April 2015, the PTC issued \$209,010 2015 Series A-1 Subordinate Bonds at a fixed rate with a maturity date of December 1, 2045. The 2015 Series A-1 Subordinate Bonds were issued to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and Act 89, for the advance refunding of a portion of the PTC's 2011 A Subordinate Revenue Bonds (\$50,030), and for paying the cost of issuing the 2015 Series A-1 Subordinate Bonds. The advanced refunding of the 2011 Series A Subordinate Bonds allowed the PTC to reduce its debt service by approximately \$10,300. In addition to the debt service savings the PTC received additional proceeds of \$2,200 from this transaction, resulting in a total economic gain of approximately \$10,600.

In September 2014, the PTC issued \$288,675 2014 Series Special Obligation Bonds at a fixed rate with a maturity date of December 1, 2027. The 2014 Series Special Obligation Bonds were issued to refund the refunded bonds of 1998 Series A Senior and 1998 Series B Subordinate Oil Franchise Tax Bonds, to provide additional funds to the PTC for the construction of part of the sections of the Mon-Fayette Expressway and Southern Beltway, and for the payment of costs of issuance of the 2014 Series Special Obligation Bonds. The refunding of the 1998 Series A Senior and 1998 Series B Subordinate Oil Franchise Tax Bonds did not change the PTC's debt service requirements. The transaction resulted in an economic gain of approximately \$33,800. These Bonds were subsequently defeased on September 15, 2014.

PHEAA

On August 8, 2014, the PHEAA Student Loan Foundation, Inc. (the Foundation), entered into a trust agreement with a financial institution, which created the PHEAA Student Loan Trust 2014-3 ("2014-3 Trust"), a statutory trust. The 2014-3 Trust was formed under the laws of the State of Delaware and its principal purpose is to securitize student loans and related assets, and to acquire student loans from the Foundation and issue promissory notes secured by a pledge of such assets. On September 18, 2014, the 2014-3 Trust issued \$631,100 of original principal amount of student loan asset backed notes, Class A ("Class A Notes"), at par, and \$15,600 of original principal amount of student loan asset backed notes, Class B ("Class B Notes"), at a discount. The Class A Notes were issued with an interest rate of 1-month LIBOR plus 0.59% and a final maturity date of August 25, 2040. The Class B Notes had a price to public of 89.75%, which resulted in a discount of \$1,600. The Class B Notes were issued with an interest rate of 1-month LIBOR plus 1.50% and a final maturity date of June 25, 2043. The 2014-3 Trust used the proceeds from the Class A Notes and Class B Notes and the cash portion of the capital contribution to purchase approximately \$638,400 of financed student loans indirectly through the Foundation from PHEAA, pay cost of issuance fees and deposit amounts into various funds established under the indenture of trust. On that same day,

NOTE 5 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

PHEAA used the proceeds from the above student loan sale to pay down student loan financing warehouse facilities and release prior liens on financed student loans from various trusts.

On January 15, 2015, the Foundation entered into a trust agreement with a financial institution, which created the PHEAA Student Loan Trust 2015-1 (“2015-1 Trust”), a statutory trust. The 2015-1 Trust was formed under the laws of the State of Delaware and its principal purpose is to securitize student loans and related assets, and to acquire student loans from the Foundation and issue promissory notes secured by a pledge of such assets. On April 22, 2015, the 2015-1 Trust issued \$621,500 of original principal amount of student loan asset backed notes, Class A (“Class A Notes”), at a discount, and \$15,400 of original principal amount of student loan asset backed notes, Class B (“Class B Notes”), at a discount. The Class A Notes had a price to public of 99.94%, which resulted in a discount of \$380. The Class A Notes were issued with an interest rate of 1-month LIBOR plus 0.60% and a final maturity date of October 25, 2041. The Class B Notes had a price to public of 86.35%, which resulted in a discount of \$2,100. The Class B Notes were issued with an interest rate of 1-month LIBOR plus 1.50% and a final maturity date of April 25, 2045. The 2015-1 Trust used the proceeds from the Class A Notes and Class B Notes and the cash portion of the capital contribution to purchase approximately \$640,600 of financed student loans indirectly through the Foundation from PHEAA, pay cost of issuance fees and deposit amounts into various funds established under the indenture of trust. On that same day, PHEAA used the proceeds from the above student loan sale to pay down student loan financing warehouse facilities.

PHFA

On March 26, 2015, the PHFA issued Series 2015-116A and 2015-116B bonds in the amounts of \$98,795 and \$20,000, respectively. The total proceeds of Series 2015-116A bonds and \$370 of Series 2015-116B bonds were used to refund \$1,200 of Series 2004-85A bonds, \$27,470 of Series 2005-90A bonds, \$7,665 of Series 2005-91A bonds and \$62,830 of Series 2006-92A bonds. This refunding resulted in an economic gain equal to \$6,070 and a reduction of debt service payments over the next fifteen years equal to \$6,059.

SSHE

In May 2015, the net proceeds from the Series AQ revenue bonds, together with funds provided by the SSHE, were used to purchase U.S. Government Securities that were deposited irrevocably in trust with an escrow agent to current refund Series AC and advance refund Series AE revenue bonds. This refunding was performed to reduce debt service by approximately \$9,405 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of approximately \$9,034.

NOTE 5 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

Other Post Employment Benefits (OPEB)

Each DPCU with employees participates in the Commonwealth’s Retired Employees Health Program (REHP) except for the PTC and the PHFA, which have both established and sponsor their own, separate OPEB plans. The SSHE participates in the REHP, for certain employees, as well as its own, separate SSHE OPEB plan. All separate, non-REHP plans, have been established under pertinent statutory authority. All benefit provisions and contributions are established by the plan sponsors. Net OPEB stand-alone plan obligations (assets) for PTC are reported at May 31, 2015 and the PHFA and SSHE at June 30, 2015 as follows:

As of and for the fiscal year ended June 30, 2015	PTC (May 31, 2015)	PHFA	SSHE			
Annual required contributions.....	\$ 12,683	\$ 5,526	\$ 102,000			
Interest on net OPEB obligation.....	(5,540)	1,161	42,800			
Adjustment to annual required contribution.....	13,255	(1,584)	(56,253)			
Annual OPEB cost (expense).....	20,398	5,103	88,547			
Qualifying contributions.....	(46,180)	(956)	(36,869)			
Increase in net OPEB obligation/(asset).....	(25,782)	4,147	51,678			
Net OPEB obligation/(asset), July 1, 2014.....	(79,149)	25,851	1,007,071			
Net OPEB obligation/(asset), June 30, 2015.....	<u>\$ (104,931)</u>	<u>\$ 29,998</u>	<u>\$ 1,058,749</u>			
	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued	Funded Ratio (assets as % of AAL)	Estimated Covered Payroll	UAAL as a Percentage of Covered
As of and for the fiscal year ended June 30, 2015						
PTC (May 31, 2015).....	\$ 271,265	\$ 283,133	\$ 11,868	95.8%	\$ 126,699	9.4%
PHFA.....	\$ -	\$ 49,455	\$ 49,455	0.0%	\$ 16,175	305.7%
SSHE.....	\$ -	\$ 1,194,849	\$ 1,194,849	0.0%	\$ 589,917	202.5%

Note: The PHFA report their OPEB liability as other noncurrent liabilities on the Statement of Net Position.

Net Pension Liability and Pension Expense

The PTC, PHEAA, PENNVEST and SSHE all have employees that are members of the Pennsylvania State Employees Retirement System (SERS). The SSHE is also a member of the Public School Employees Retirement System (PSERS). For the fiscal year ended June 30, 2015 (May 31, 2015 for the PTC), these entities reported a net pension liability, proportionate share percentage and pension expense as follows:

SERS

Fiscal year ended June 30, 2015	PTC (May 31, 2015)	PHEAA	PENNVEST	SSHE
Net pension liability.....	\$ 296,271	\$ 323,866	\$ 5,163	\$ 728,094
Proportionate share percentage.....	1.99%	2.18%	0.04%	4.90%
Pension expense.....	\$ 34,100	\$ 41,627	\$ 671	\$ 83,545

PSERS

Fiscal year ended June 30, 2015	SSHE
Net pension liability.....	\$ 70,650
Proportionate share percentage.....	0.18%
Pension expense.....	\$ 6,663

The PHFA’s full time employees participate in two defined benefit single employer plans. For the fiscal year ended June 30, 2015, the PHFA reported a net pension liability of \$20,397 and a pension expense of \$2,060.

NOTE 5 – DISCRETELY PRESENTED COMPONENT UNITS (continued)

Commitments and Contingencies

PTC

The PTC Commitment to the PG: In July 2007, Act 44 was signed into law and, among other things, provides funding for roads, bridges and transit throughout the Commonwealth. Under Act 44, the PTC and the Pennsylvania Department of Transportation (PennDOT) established a 50 year Lease and Funding Agreement (Agreement). Act 44 and the Agreement require the PTC to make scheduled quarterly payments to the PennDOT. Subsequently, in April 2014, the PTC and PennDOT executed Amendment Number One to the aforementioned Lease and Funding Agreement in accordance with Act 89 of November 2013. In accordance with Act 89 and the Amended Funding Agreement, the PTC's aggregate annual payment to PennDOT for fiscal year 2014 through fiscal year 2022 remains at \$450,000 and at 2023 through the term of the Amended Funding Agreement, the PTC's aggregate annual payment to PennDOT is \$50,000, which must be paid from current revenues. Through June 30, 2015 the PTC has paid the PennDOT \$4,750,000; the **Motor License Fund** received \$2,250,000 and the Public Transportation Trust Fund received \$2,500,000.

Due to the significance of the quarterly payments under Act 44, the PTC currently does not have excess cash from operations to finance these required payments due to PennDOT. Therefore, the PTC plans to continue to increase toll rates annually and to issue debt for the foreseeable future to finance the majority of these payments. Act 44 authorizes the PTC to issue Special Revenue Bonds up to an aggregate principal amount of \$5,000,000 (not to exceed \$600,000 per calendar year). Through its fiscal year ended May 31, 2015, the PTC issued \$936,296 of Special Revenue Bonds with an accreted value of \$983,857.

Deferred Outflows and Inflows of Resources

The following table discloses the deferred outflows of resources and deferred inflows of resources at June 30, 2015 (May 31, 2015 for the PTC):

	PTC	PHFA	PHEAA	PENNVEST	SSHE	Total
Deferred Outflows of Resources						
Hedge derivatives.....	\$ 109,323	\$ 15,836	\$ -	\$ -	\$ -	\$ 125,159
Pensions						
Difference between expected & actual experience.....	1,608	3,319	1,758	28	3,953	10,666
Net difference between projected & actual investment earnings....	8,560	-	9,358	149	21,036	39,103
Changes in proportions.....	-	-	15,250	258	1,682	17,190
Changes in assumptions.....	-	6,470	-	-	-	6,470
Difference between employer contributions & proportionate share of total contributions.....	-	-	-	-	295	295
Contributions after the measurement date.....	10,909	2,100	13,582	196	37,241	64,028
Deferred loss on bond refundings.....	143,494	8,090	2,013	-	9,349	162,946
	<u>\$ 273,894</u>	<u>\$ 35,815</u>	<u>\$ 41,961</u>	<u>\$ 631</u>	<u>\$ 73,556</u>	<u>\$ 425,857</u>
Deferred Inflows of Resources						
Deferred gain on bond refundings.....	\$ 1,417	\$ -	\$ 168,779	\$ -	\$ 1,211	\$ 171,407
Deferred gain on sales leaseback.....	-	-	451	-	-	451
Pensions						
Net difference between projected & actual investment earnings....	-	3,880	-	-	5,051	8,931
Changes in proportions.....	2,033	-	-	-	6,867	8,900
Difference between employer contributions & proportionate share of total contributions.....	651	-	1,068	-	2,182	3,901
Service concession arrangements.....	120,739	-	-	-	-	120,739
Total.....	<u>\$ 124,840</u>	<u>\$ 3,880</u>	<u>\$ 170,298</u>	<u>\$ -</u>	<u>\$ 15,311</u>	<u>\$ 314,329</u>

NOTE 5 – DISCRETELY PRESENTED COMPONENT UNITS (continued)**Subsequent Events****PTC**

On June 1, 2015, the PTC issued \$385,095 2015 Series A-1 Senior Revenue Bonds and \$115,635 2015 Series A-2 Variable Rate Revenue Bonds with a final maturity of December 1, 2033 and 2021, respectively. The 2015 Series A-1 Bonds were issued primarily to refund the 2006 Series A Revenue Bonds. The 2015 Series A-2 Bonds were issued primarily to refund the 2013 Series B Revenue Bonds maturing on December 1, 2015, the 2014 Series B-1 Revenue Bonds maturing on June 1, 2015 and the 2014 Series B-2 Revenue Bonds maturing on June 1, 2015.

On June 9, 2015, Standard & Poor's Ratings Services (S&P) reduced the credit ratings of Deutsche Bank two notches to BBB+. Based on that rating and in accordance with the Credit Support Annex of the ISDA Master Agreement, the threshold for posting collateral was lowered to \$0 and the PTC has called for collateral in the amount of the full mark-to-market value. Subsequent to year end, Deutsche Bank has posted collateral of \$5,980 with the PTC.

On July 9, 2015, the PTC executed a partial termination of the Mainline Basis Swap associated with the PTC's Series 2010 B Bonds. This reversal was executed at a level of \$2,255 which Deutsche Bank paid to the PTC. The reversal maturity date is June 1, 2018.

On October 7, 2015, Standard & Poor's lowered its rating to 'A' from 'A+' on the PTC's Mainline Senior Revenue Bonds.

On October 8, 2015 the PTC converted \$231,425 Registration Fee Revenue Refunding Bonds Series B, C and D of 2005 from bearing interest at a Weekly Rate to bearing interest at an Index Rate (as defined in the Indenture). The other terms of the bonds generally remained the same. The costs related to the conversion amounted to \$327.

On October 27, 2015, the PTC issued \$192,215 2015 Series B Subordinate Revenue Bonds at a fixed rate with a final maturity of December 1, 2045. The 2015 Series B Subordinate Bonds were issued to provide funds, together with an equity contribution by the PTC, to finance a portion of the costs of making payments to the Pennsylvania Department of Transportation in accordance with Act 44 and Act 89, to fund certain ("Grants") to mass transit agencies and various multi-modal capital projects for and paying the costs of issuing the 2015B Bonds.

On November 9, 2015, the PTC executed a partial termination of the Mainline Basis Swap associated with the PTC's Series 2009 A Bonds. This reversal was executed at a level of \$2,545 which Goldman Sachs Mitsui Marine Derivative Products paid to the PTC. The reversal maturity date is September 1, 2018.

On December 17, 2015, the PTC issued \$304,005 2015 Series B Senior Revenue Bonds at a fixed rate with a final maturity date of December 1, 2045. The 2015 Series B Senior Bonds were issued primarily to finance the costs of various capital expenditures set forth in the PTC's current or any prior 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, a debt service fund deposit and the costs of issuing the 2015B Bonds.

On January 19, 2016, the PTC approved a resolution authorizing the refunding of all or a portion of any previously issued PTC Subordinate Revenue Bonds and all or a portion of any previously issued PTC Motor License Fund-Enhanced Turnpike Subordinate Special Revenue Bonds.

PHEAA

On July 13, 2015, the Foundation filed "Certificates of Cancellation" with the Delaware Secretary of State to cancel the "Certificates of Formation" of the PHEAA Student Loan Companies (SLCs).

NOTE S – DISCRETELY PRESENTED COMPONENT UNITS (continued)**PHFA**

On September 10, 2015, the PHFA authorized the issuance of Single Family Mortgage Revenue Bonds, Series 2015-118, in the amount not to exceed \$275,000. Proceeds are expected to include a portion to be used to refund certain Single Family Mortgage Revenue Bonds of the PHFA issued previously and a portion to purchase new single family mortgage loans. Series 2015-118 was issued for \$231,165 on November 5, 2015.

On September 22, 2015, the PHFA issued \$150,240 of Single Family Mortgage Revenue Bonds, Series 2015-117A and 2015-117B. The bonds are general obligations of the PHFA that bear interest at fixed rates payable on each April 1 and October 1, with a final maturity of October 1, 2045. The proceeds from the bond issuance were used to refund certain Single Family Mortgage Revenue Bonds of the PHFA issued previously and to purchase new single family mortgage loans.

SSHE

In September 2015, the PHEFA issued Series AR tax exempt revenue bonds in the amount of \$102,365. The net proceeds from the Series AR revenue bonds were used to finance capital projects at several universities. In connection with the bond issuance, the SSHE entered into a loan agreement with the PHEFA under which the SSHE pledged its full faith and credit for repayment of bonds.

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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Required Supplementary Information

Commonwealth of Pennsylvania
Schedules of Funding Progress and Employer Contributions
Retired Employees Health Plan (REHP)
Retired Pennsylvania State Police Program (RPSPP)
PA Judiciary
PA House of Representatives
PA Senate
For the Fiscal Year Ended June 30, 2015
(\$ amounts in millions)

	REHP	RPSPP	PA Judiciary	PA House of Representatives	PA Senate	Total Primary Government
Funding Progress:						
As of and for the fiscal year ended June 30, 2015						
Actuarial Valuation Date.....	January 1, 2015	January 1, 2015	July 1, 2014	July 1, 2014	July 1, 2014	
Actuarial Value of Assets.....	\$ 144.74	\$ 80.22	\$ -	\$ -	\$ -	\$ 224.96
Actuarial Accrued Liability (AAL).....	\$ 16,134.42	\$ 3,531.02	\$ 502.60	\$ 415.27	\$ 230.63	\$ 20,813.94
Unfunded Actuarial Accrued Liability (UAAL).....	\$ 15,989.68	\$ 3,450.80	\$ 502.60	\$ 415.27	\$ 230.63	\$ 20,588.98
Funded Ratio (assets as % of AAL).....	0.9%	2.3%	0.0%	0.0%	0.0%	1.1%
Estimated Annual Covered Payroll.....	\$ 4,289.10	\$ 394.33	\$ 200.60	\$ 95.30	\$ 48.55	\$ 5,027.88
UAAL as a Percentage of Covered Payroll.....	372.8%	875.1%	250.5%	435.8%	475.0%	409.5%
As of and for the fiscal year ended June 30, 2014						
Actuarial Valuation Date.....	July 1, 2013	July 1, 2013	July 1, 2014	July 1, 2012	July 1, 2013	
Actuarial Value of Assets.....	\$ 82.06	\$ 69.48	\$ -	\$ -	\$ -	\$ 151.54
Actuarial Accrued Liability (AAL).....	\$ 13,234.04	\$ 3,188.19	\$ 502.60	\$ 386.30	\$ 220.87	\$ 17,532.00
Unfunded Actuarial Accrued Liability (UAAL).....	\$ 13,151.98	\$ 3,118.71	\$ 502.60	\$ 386.30	\$ 220.87	\$ 17,380.46
Funded Ratio (assets as % of AAL).....	0.6%	2.2%	0.0%	0.0%	0.0%	0.9%
Estimated Annual Covered Payroll.....	\$ 4,264.00	\$ 391.00	\$ 200.60	\$ 95.32	\$ 49.75	\$ 5,000.67
UAAL as a Percentage of Covered Payroll.....	308.4%	797.6%	250.5%	405.3%	444.0%	347.6%
As of and for the fiscal year ended June 30, 2013						
Actuarial Valuation Date.....	July 1, 2013	July 1, 2013	July 1, 2012	July 1, 2012	July 1, 2012	
Actuarial Value of Assets.....	\$ 82.06	\$ 69.48	\$ -	\$ -	\$ -	\$ 151.54
Actuarial Accrued Liability (AAL).....	\$ 13,234.04	\$ 3,188.19	\$ 440.70	\$ 386.30	\$ 241.13	\$ 17,490.36
Unfunded Actuarial Accrued Liability (UAAL).....	\$ 13,151.98	\$ 3,118.71	\$ 440.70	\$ 386.30	\$ 241.13	\$ 17,338.82
Funded Ratio (assets as % of AAL).....	0.6%	2.2%	0.0%	0.0%	0.0%	0.9%
Estimated Annual Covered Payroll.....	\$ 4,264.00	\$ 391.00	\$ 198.00	\$ 95.32	\$ 48.92	\$ 4,997.24
UAAL as a Percentage of Covered Payroll.....	308.4%	797.6%	222.6%	405.3%	492.9%	347.0%
Employer Contributions:						
For the fiscal year ended June 30, 2015						
Annual required contribution.....	\$ 1,127.59	\$ 242.91	\$ 40.93	\$ 46.22	\$ 14.37	\$ 1,472.02
Percentage contributed.....	70.6%	33.8%	61.6%	34.5%	46.8%	62.9%
For the fiscal year ended June 30, 2014						
Annual required contribution.....	\$ 893.07	\$ 215.56	\$ 39.96	\$ 43.20	\$ 13.76	\$ 1,205.55
Percentage contributed.....	77.3%	35.7%	54.9%	32.8%	44.3%	67.2%
For the fiscal year ended June 30, 2013						
Annual required contribution.....	\$ 864.83	\$ 207.14	\$ 35.50	\$ 43.20	\$ 17.40	\$ 1,168.07
Percentage contributed.....	71.0%	33.0%	57.4%	30.5%	40.9%	61.9%

- The notes to required supplementary information are an integral part of this schedule. -

Following is a list of assumptions used in the August 2015 valuation for the REHP and RPSPP plans.

Economic Assumptions - The discount rate used is 5.25 percent.

Healthcare Assumptions - The healthcare trend rates were modified to reflect the SOA-Getzen trend rate model version 2014_b; the first five years of trend are based on projections by the Congressional Budget Office.

Demographic assumptions - The demographic assumptions used for valuing the liabilities of the post-retirement medical plan are consistent with those used for the actuarial valuation of the State Employees' Retirement System. The demographic assumptions include the rate of mortality, the rate of withdrawal, the rate of retirement, and the rate of disability. Ancillary demographic assumptions specific to the post-retirement medical plan, including coverage rates and participation rates are based on recent experience.

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*

	<u>2015</u>
<u>SERS as of 12/31</u>	
Commonwealth's portion of the net pension liability.....	82.94%
Commonwealth's proportionate share of the net pension liability	\$ 12,318,240
Commonwealth's covered-employee payroll.....	\$ 4,668,334
Commonwealth's proportionate share of the net pension liability as a percentage of its covered-employee payroll.....	263.87%
Plan fiduciary net position as a percentage of the total pension liability.....	64.80%
<u>PSERS as of 6/30</u>	
Non-employer contributing entity	
Commonwealth's proportionate share of the net pension liability	\$ 223,083

- The notes to required supplementary information are an integral part of this schedule. -

*The Commonwealth adopted GASB 68 on a prospective basis for the fiscal year ended June 30, 2015; therefore, only one year is presented in the above schedule.

Commonwealth of Pennsylvania
Schedule of Pension Amounts
Commonwealth's Schedule of Contributions
For the Last Ten Fiscal Years Ended June 30*

	<u>2015</u>
<u>SERS as of 12/31</u>	
Contractually required contribution.....	\$ 900,733
Contributions in relation to the contractually required contribution.....	\$ 900,733
Contribution deficiency (excess).....	\$ -
Commonwealth's covered-employee payroll.....	\$ 4,668,334
Contributions as a percentage of covered-employee payroll.....	19.29%
<u>PSERS as of 6/30</u>	
Non-employer	
Contributions to the plan.....	<u>\$ 15,650</u>

- The notes to required supplementary information are an integral part of this schedule. -

*The Commonwealth adopted GASB 68 on a prospective basis for the fiscal year ended June 30, 2015; therefore, only one year is presented in the above schedule.

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Major Funds
 General Fund
 For the Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Original Budget	Difference	Final Budget	Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Corporation taxes.....	\$ 4,876,900	\$ 145,300	\$ 5,022,200	\$ 94,697	\$ 5,116,897
Consumption taxes.....	10,777,800	79,200	10,857,000	(77,801)	10,779,199
Other taxes.....	13,454,000	(38,800)	13,415,200	181,023	13,596,223
TOTAL TAX REVENUE.....	29,108,700	185,700	29,294,400	197,919	29,492,319
Nontax revenue.....	1,071,855	(189,755)	882,100	218,082	1,100,182
TOTAL REVENUE STATE.....	30,180,555	(4,055)	30,176,500	416,001	30,592,501
less: Refunds.....	(1,287,000)	-	(1,287,000)	(53,000)	(1,340,000)
plus: Departmental services.....	3,288,088	-	3,288,088	562,976	3,851,064
TOTAL STATE PROGRAMS.....	32,181,643	(4,055)	32,177,588	925,977	33,103,565
Federal programs.....	22,821,800	209,247	23,031,047	73,634	23,104,681
TOTAL REVENUES.....	55,003,443	205,192	55,208,635	999,611	56,208,246
EXPENDITURES:					
State programs.....	32,313,862	81,290	32,395,152	608,675	33,003,827
Federal programs.....	22,821,800	209,247	23,031,047	73,634	23,104,681
TOTAL EXPENDITURES.....	55,135,662	290,537	55,426,199	682,309	56,108,508
REVENUES OVER/(UNDER) EXPENDITURES.....	(132,219)	(85,345)	(217,564)	317,302	99,738
OTHER FINANCING SOURCES (USES):					
Current year lapses.....	-	60,000	60,000	(60,000)	-
Prior year lapses.....	-	89,727	89,727	1,247	90,974
Transfer from Budget Stabilization Reserve Fund.....	-	-	-	-	-
Transfer to Budget Stabilization Reserve Fund.....	-	(2,992)	(2,992)	(65,622)	(68,614)
Decrease in budgeted spending authority.....	-	-	-	-	-
Increase in budgeted revenues.....	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	146,735	146,735	(124,375)	22,360
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES.....	(132,219)	61,390	(70,829)	192,927	122,098
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 2014, REVISED.....	80,631	-	80,631	3,114	83,745
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 2015, REVISED.....	\$ (51,588)	\$ 61,390	\$ 9,802	\$ 196,041	\$ 205,843

* Current year lapse amount in the Actual (Budgetary Basis column) is already netted out of the state expenditure amount.

For Supporting Documentation, please go to www.budget.pa.gov

- The notes to required supplementary information are an integral part of this schedule. -

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Major Funds
 Special Revenue Fund-Motor License
 For the Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	<u>Original Budget</u>	<u>Difference</u>	<u>Final Budget</u>	<u>Difference</u>	<u>Actual (Budgetary Basis)</u>
REVENUES:					
State Programs:					
Liquid fuels taxes.....	\$ 1,522,900	\$ 36,900	\$ 1,559,800	\$ 2,630	\$ 1,562,430
Motor licenses and fees.....	916,600	4,500	921,100	29,707	950,807
Other Motor License Fund revenues *.....	88,400	15,200	103,600	(5,326)	98,274
TOTAL REVENUE STATE	<u>2,527,900</u>	<u>56,600</u>	<u>2,584,500</u>	<u>27,011</u>	<u>2,611,511</u>
plus: Departmental services *.....	219,024	-	219,024	(12,336)	206,688
TOTAL STATE PROGRAMS	<u>2,746,924</u>	<u>56,600</u>	<u>2,803,524</u>	<u>14,675</u>	<u>2,818,199</u>
Federal programs.....	1,696,386	-	1,696,386	(115,879)	1,580,507
TOTAL REVENUES	<u>4,443,310</u>	<u>56,600</u>	<u>4,499,910</u>	<u>(101,204)</u>	<u>4,398,706</u>
EXPENDITURES:					
State programs.....	2,833,749	-	2,833,749	(17,849)	2,815,900
Federal programs.....	1,696,386	-	1,696,386	(115,879)	1,580,507
TOTAL EXPENDITURES	<u>4,530,135</u>	<u>-</u>	<u>4,530,135</u>	<u>(133,728)</u>	<u>4,396,407</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(86,825)</u>	<u>56,600</u>	<u>(30,225)</u>	<u>32,524</u>	<u>2,299</u>
OTHER FINANCING SOURCES (USES):					
Current year lapses **.....	-	5,000	5,000	(5,000)	-
Prior year lapses.....	-	26,900	26,900	(3,648)	23,252
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>31,900</u>	<u>31,900</u>	<u>(8,648)</u>	<u>23,252</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(86,825)</u>	<u>88,500</u>	<u>1,675</u>	<u>23,876</u>	<u>25,551</u>
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 2014	104,794	-	104,794	-	104,794
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 2015	<u>\$ 17,969</u>	<u>\$ 88,500</u>	<u>\$ 106,469</u>	<u>\$ 23,876</u>	<u>\$ 130,345</u>

* Act 44 receipts are included in Other Motor License Fund Revenues.

** Current year lapse amount in the Actual (Budgetary Basis column) is already netted out of the state expenditure amount.

For Supporting Documentation, please go to www.budget.pa.gov

- The notes to required supplementary information are an integral part of this schedule. -

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (amounts in thousands)

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 enacted and takes effect on July 1 each year. The budget process begins in August of the year previous to the budget year with the distribution of both the Budget Instructions and Program Policy Guidelines by the Office of the Budget and the Governor's Office, respectively. These provide detailed guidelines and define major policy issues to be considered when agencies complete their budget requests. As required by statute, agencies must prepare budgets that indicate the cost of supporting activities at the level expected in the immediate budget year and the ensuing four budget years. The five-year horizon does not include future program changes but considers the requirements and demands of current law, regulation, policy and program decisions.

Agencies submit budget requests to the Secretary of the Budget beginning in early October. From October through January, the Office of the Budget reviews these requests for accuracy and adherence to policy guidelines and prepares funding recommendations for the Secretary of the Budget and the Governor.

During December, the Governor meets with leaders of the General Assembly to inform them of anticipated spending and revenue levels and to discuss related budgetary issues. The Governor then conducts reviews to make the final budget decisions. The Governor's Executive Budget is finalized in January and is submitted to the General Assembly in early February.

After receiving the budget document, the appropriations committees of both houses of the legislature hold hearings to review agency funding requests. The General Assembly passes the budget in the form of a General Appropriations Bill and individual appropriations bills. At the time of passage of these bills and their presentation to the Governor, the official revised revenue estimates for the budget year are issued. If the combined appropriations bills passed by the legislature exceed the revenue estimates, the Governor is required and has the authority to either veto entire appropriations bills or to reduce the amount of appropriations in order to produce a budget that is in balance. The Governor also has the power to reduce or veto any specific appropriation even if the total appropriations do not exceed estimated revenues. The Governor's signing of the appropriations bills and any revenue bills is the last step in the approval stage of the budget.

Additional information regarding Pennsylvania's budgeting process may be located at: www.budget.pa.gov and click on Current and Proposed Commonwealth Budgets.

Note 2 – Basis of Budgeting

On the budgetary basis, certain estimated tax revenue accruals are recorded at fiscal year-end for the **General Fund** and the **Motor License Fund**, a Special Revenue Fund. Accruals include sales and use taxes and personal income taxes, both applicable to the **General Fund**, and liquid fuels taxes applicable to the **Motor License Fund**. These taxes are estimated to be owed to the Commonwealth but are not collected by fiscal year-end. Actual budgetary federal program revenues are recorded in amounts equal to federal expenditures. Also, estimated encumbrances and unspent appropriation balances are available for all funds at fiscal year-end to pay certain direct expenditures for salaries, wages, travel, and utility costs payable against current year appropriation authority but paid in the subsequent year. Over-estimates of prior year encumbrances and available appropriation balances are lapsed in the subsequent year and under-estimates are charged to subsequent year appropriation authority.

Budgeted revenues in the Budgetary Comparison Schedules represent official estimates while expenditures represent amounts originally adopted or legally amended. Actual amounts are presented on the budgetary basis. Because the budgetary basis differs from the modified accrual basis of accounting for governmental funds, a reconciliation of the differences between budgetary basis and the modified accrual basis of reporting is presented.

Note 3 - Reconciliation of Budgetary to GAAP Basis Amounts

The Commonwealth adopts formal annual budgets for two major governmental funds (**General Fund** and **Motor License Fund**, a Special Revenue Fund) and three nonmajor governmental funds (Workers' Compensation Administration, Banking Department, and Milk Marketing Special Revenue funds). The Budgetary Comparison Schedules for Budgeted Major and

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION *(amounts in thousands)*

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.

The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting for the major budgeted funds:

	<u>General Fund</u>			<u>Motor License Fund</u>
	<u>General Fund (Budgeted)</u>	<u>General Fund Components (Nonbudgeted)</u>	<u>Total</u>	
Budgetary basis – revenues and other sources under expenditures and other uses.....	\$ 122,098	\$ -	\$ 122,098	\$ 25,551
Adjustments:				
<u>Basis differences</u>				
To adjust revenues, other financing sources and related receivables and unearned revenue.....	(1,495,774)	-	(1,495,774)	1,468,928
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities.....	2,264,282	-	2,264,282	(1,628,820)
Basis difference adjustments.....	768,508	-	768,508	(159,892)
<u>Perspective differences</u>				
Nonbudgeted statutory funds which are financially reported as part of this fund:				
Revenues.....	-	413,717	413,717	377
Expenditures.....	-	(464,732)	(464,732)	(340)
Perspective difference adjustments..	-	(51,015)	(51,015)	37
Net adjustments.....	768,508	(51,015)	717,493	(159,855)
Modified accrual basis – net change in governmental fund balance.....	\$ 890,606	\$ (51,015)	\$ 839,591	\$ (134,304)

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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (amounts in thousands)

Note 4 – Budgetary Compliance – Legal Level of Budgetary Control

The General Assembly passes, and the Governor approves (or reduces or vetoes), individual appropriations as part of the annual budget adoption process. Budgetary expenditure control occurs at the appropriation level; this is the lowest level of legislative spending control. Encumbrances and expenditures within individual appropriations may not exceed total amounts appropriated plus actual augmentations (certain revenues credited to specific appropriations). Also, appropriation transfers between or within departments and any supplemental appropriations require both legislative and gubernatorial approval. The legislatively adopted budget for the **General Fund** includes \$163,783 in appropriation increases approved during the fiscal year ended June 30, 2015.

A separately available report, the "*Status of Appropriations*" (**General Fund**), demonstrates budgetary expenditure compliance for the **General Fund** for the fiscal year ended June 30, 2015. This report includes a variety of detailed information and summaries related to individual appropriations. A second "*Status of Appropriations*" report (for Special Funds) demonstrates compliance for the four budgeted Special Revenue funds: **Motor License**, Workers' Compensation Administration, Banking Department and Milk Marketing. Both "*Status*" reports are available online at the Office of the Budget internet site: www.budget.pa.gov and click on Publications and Reports and then click on Status of Appropriations. The Governor controls spending by using executive authorizations for Special Revenue funds not controlled by legislatively adopted budgets.

To assist the user of the Budgetary Comparison Schedule, additional supporting documentation is available at: www.budget.pa.gov by clicking on Publications and Reports at the top of the page and then click on Annual Financial Reports and finally click on 'General Fund Budgetary Comparison Schedule Rationale' and 'Motor License Fund Budgetary Comparison Schedule Rationale' at the bottom of the page.

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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Combining Financial Statements

Including
Nonmajor Budgetary Comparison Schedules

Commonwealth of Pennsylvania
Combining Balance Sheet-Nonmajor Governmental Funds

June 30, 2015

(Amounts in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS				
Cash.....	\$ 23,158	\$ -	\$ 122	\$ 23,280
Temporary investments.....	1,754,989	323,449	1,066,498	3,144,936
Long-term investments.....	1,539,355	-	113,504	1,652,859
Receivables (net):				
Taxes.....	-	-	29,200	29,200
Accounts.....	184,769	3,222	-	187,991
Investment income.....	5,856	17	139	6,012
Lease rentals.....	-	427	-	427
Investment sale proceeds.....	5,511	-	-	5,511
Other.....	23,886	-	-	23,886
Due from other funds.....	118,097	-	20,146	138,243
Due from pension trust funds.....	914	-	-	914
Due from component units.....	-	450	-	450
Due from Federal government.....	15,479	-	-	15,479
Due from political subdivisions.....	-	-	5,208	5,208
Advances to other funds.....	2,750	-	-	2,750
TOTAL ASSETS.....	\$ 3,674,764	\$ 327,565	\$ 1,234,817	\$ 5,237,146
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 318,043	\$ 312,199	\$ 161,739	\$ 791,981
Investment purchases payable.....	16,627	-	-	16,627
Securities lending obligations.....	57,044	-	2,103	59,147
Due to other funds.....	47,637	-	4,917	52,554
Due to component units.....	20,071	-	-	20,071
Due to pension trust funds.....	2,075	-	12	2,087
Due to political subdivisions.....	55,991	-	43,459	99,450
Due to other governments.....	1,232	-	22	1,254
Unearned revenue.....	87,828	3,649	-	91,477
Advances from other funds.....	2,000	-	-	2,000
TOTAL LIABILITIES.....	608,548	315,848	212,252	1,136,648
Deferred inflows of resources:				
TOTAL DEFERRED INFLOWS OF RESOURCES.....	183,781	-	-	183,781
Fund balances:				
Restricted.....	2,768,057	-	-	2,768,057
Committed.....	116,314	11,717	1,022,565	1,150,596
Unassigned deficit.....	(1,936)	-	-	(1,936)
TOTAL FUND BALANCES.....	2,882,435	11,717	1,022,565	3,916,717
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 3,674,764	\$ 327,565	\$ 1,234,817	\$ 5,237,146

Commonwealth of Pennsylvania
Combining Statement of Revenues, Expenditures, and Changes in Fund
Balances-Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2015

(Amounts in thousands)	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Taxes.....	\$ 1,817,047	\$ -	\$ 284,244	\$ 2,101,291
Licenses and fees.....	932,543	-	-	932,543
Intergovernmental.....	726,406	21,238	-	747,644
Charges for sales and services.....	242,823	-	9,095	251,918
Investment income.....	53,602	85	4,438	58,125
Other.....	371,807	13,846	-	385,653
TOTAL REVENUES	<u>4,144,228</u>	<u>35,169</u>	<u>297,777</u>	<u>4,477,174</u>
EXPENDITURES:				
Current:				
Direction and supportive services.....	406,504	-	147,617	554,121
Protection of persons and property.....	539,970	-	2,078	542,048
Health and human services.....	849,747	-	-	849,747
Public education.....	616,399	-	13,484	629,883
Recreation and cultural enrichment.....	194,677	-	61,964	256,641
Economic development.....	273,969	-	250,704	524,673
Transportation.....	937,193	-	472,299	1,409,492
Capital outlay.....	13,104	-	335,361	348,465
Debt service:				
Principal retirement.....	-	732,545	-	732,545
Interest and fiscal charges.....	-	543,204	5,730	548,934
TOTAL EXPENDITURES	<u>3,831,563</u>	<u>1,275,749</u>	<u>1,289,237</u>	<u>6,396,549</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	<u>312,665</u>	<u>(1,240,580)</u>	<u>(991,460)</u>	<u>(1,919,375)</u>
OTHER FINANCING SOURCES (USES):				
Bonds issued.....	-	-	1,460,000	1,460,000
Refunding bonds issued.....	-	782,106	319	782,425
Premium on bonds/refunding bonds.....	-	120,430	198,527	318,957
Discount on bonds issued.....	-	-	(1,441)	(1,441)
Transfers in.....	289,512	1,241,389	652	1,531,553
Transfers out.....	(746,814)	-	(67,702)	(814,516)
Payment to refunded bond escrow agent.....	-	(900,849)	-	(900,849)
NET OTHER FINANCING SOURCES (USES)	<u>(457,302)</u>	<u>1,243,076</u>	<u>1,590,355</u>	<u>2,376,129</u>
NET CHANGE IN FUND BALANCES	(144,637)	2,496	598,895	456,754
FUND BALANCES JULY 1, 2014	<u>3,027,072</u>	<u>9,221</u>	<u>423,670</u>	<u>3,459,963</u>
FUND BALANCES JUNE 30, 2015	<u>\$ 2,882,435</u>	<u>\$ 11,717</u>	<u>\$ 1,022,565</u>	<u>\$ 3,916,717</u>

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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

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 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.

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.

Workers' Compensation Administration Fund — to account for the administration of the Pennsylvania Workers' Compensation Act and the Pennsylvania Occupational Disease Act. Insurance companies and self-insured businesses are assessed a periodic fee for costs incurred in administering these acts.

Workers' Compensation Security Fund — to account for the payment of workers' compensation claims to individuals who are insured by an insolvent insurance company and for the costs to administer the program. Funds are derived from an annual assessment on all insurance carriers authorized to transact and provide workers' compensation insurance in the Commonwealth.

Tobacco Settlement Fund — established to deposit all payments received by the Commonwealth pursuant to the Master Settlement Agreement with tobacco product manufacturers. Deposits into this fund include: jurisdictional payments received by the Commonwealth from the Master Settlement Agreement, strategic contribution payments from the Master Settlement Agreement, and earnings from investments. Expenditures from this fund are determined by the annual budget appropriated to each program.

Public Transportation Trust Fund — to provide dedicated funding for public transportation in the Commonwealth. Revenues come from scheduled payments by the Pennsylvania Turnpike Commission, a portion of the Sales and Use Tax, and transfers from the Public Transportation Assistance Fund and the **Lottery Fund**. Monies in this fund are disbursed as grants to public transit agencies for operating costs (including Shared Ride and Free Transit for Older Pennsylvanians), capital and asset improvements, and programs of statewide significance.

Gaming Fund — to account for the administration of the Race Horse Development and Gaming Act. Revenue is received from license fees and a percentage of the gross terminal revenue generated by licensed gaming facilities.

Other — to account for programs related to restoration, conservation, protection, and management of natural resources; the payment of prescription drugs for eligible citizens 65 years or older; the preservation of historical landmarks; vocational rehabilitation services; administrative and regulatory activities of various departmental programs; and miscellaneous Commonwealth activities. This "Other" category is an aggregation of thirty-nine individual special revenue funds.

There are a total of forty-seven 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, 2015

(Amounts in thousands)

	Budgeted Funds								Total
	Banking	Milk Marketing	Workers' Compensation Admin.	Workers' Compensation Security	Tobacco Settlement Fund	Public Transportation Trust	Gaming	Other	
ASSETS									
Cash.....	\$ 35	\$ 7	\$ 3	\$ 34	\$ -	\$ 160	\$ 4,626	\$ 18,293	\$ 23,158
Temporary investments.....	9,977	3,999	90,299	76,249	70,831	243,007	728,602	532,025	1,754,989
Long-term investments.....	13,138	-	-	755,939	-	198,540	-	571,738	1,539,355
Receivables (net):									
Accounts.....	8,342	-	12	-	176,248	-	2	165	184,769
Investment income.....	2	1	-	5,616	-	32	110	95	5,856
Investment sale proceeds.....	-	-	-	5,511	-	-	-	-	5,511
Other.....	-	-	-	-	-	-	-	23,886	23,886
Due from other funds.....	203	1	40	3	43,721	49,188	165	24,776	118,097
Due from pension trust funds.....	-	-	-	-	-	-	-	914	914
Due from Federal government.....	-	-	-	-	1,278	-	-	14,201	15,479
Advances to other funds.....	-	-	2,000	750	-	-	-	-	2,750
TOTAL ASSETS.....	\$ 31,697	\$ 4,008	\$ 92,354	\$ 844,102	\$ 292,078	\$ 490,927	\$ 733,505	\$ 1,186,093	\$ 3,674,764
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued liabilities.....	\$ 760	\$ 150	\$ 2,784	\$ 1,922	\$ 20,599	\$ 55,316	\$ 32,201	\$ 204,311	\$ 318,043
Investment purchases payable.....	-	-	-	16,627	-	-	-	-	16,627
Securities lending obligations.....	243	-	-	42,531	-	3,678	-	10,592	57,044
Due to other funds.....	283	23	167	366	971	9	5,572	40,246	47,637
Due to component units.....	-	-	135	-	-	-	19,872	64	20,071
Due to pension trust funds.....	101	8	277	2	1	11	369	1,306	2,075
Due to political subdivisions.....	1	-	-	-	12,385	3,405	32,408	7,792	55,991
Due to other governments.....	32	3	87	-	-	4	77	1,029	1,232
Unearned revenue.....	-	1,450	-	-	-	-	18,492	67,886	87,828
Advances from other funds.....	-	-	-	-	-	-	-	2,000	2,000
TOTAL LIABILITIES.....	1,420	1,634	3,450	61,448	33,956	62,423	108,991	335,226	608,548
Deferred inflows of resources:									
TOTAL DEFERRED INFLOWS OF RESOURCES..	-	-	-	-	176,248	-	1	7,532	183,781
Fund balances:									
Restricted.....	30,277	2,374	88,904	782,654	-	428,504	624,513	810,831	2,768,057
Committed.....	-	-	-	-	81,874	-	-	34,440	116,314
Unassigned deficit.....	-	-	-	-	-	-	-	(1,936)	(1,936)
TOTAL FUND BALANCES.....	30,277	2,374	88,904	782,654	81,874	428,504	624,513	843,335	2,882,435
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 31,697	\$ 4,008	\$ 92,354	\$ 844,102	\$ 292,078	\$ 490,927	\$ 733,505	\$ 1,186,093	\$ 3,674,764

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

Special Revenue Funds
 For the Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Budgeted Funds								Total
	Banking	Milk Marketing	Workers' Compensation Admin.	Workers' Compensation Security	Tobacco Settlement Fund	Public Transportation Trust	Gaming	Other	
REVENUES:									
Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 441,299	\$ 1,306,375	\$ 69,373	\$ 1,817,047
Licenses and fees.....	6,859	2,464	9	18,972	-	157,615	77,815	668,809	932,543
Intergovernmental.....	-	-	-	-	93,455	450,000	9,144	173,807	726,406
Charges for sales and services.....	17,546	-	47,428	-	16,728	-	-	161,121	242,823
Investment income.....	459	6	-	22,820	8,105	3,717	873	17,622	53,602
Other.....	4	-	110	368	352,821	-	-	18,504	371,807
TOTAL REVENUES	24,868	2,470	47,547	42,160	471,109	1,052,631	1,394,207	1,109,236	4,144,228
EXPENDITURES:									
Current:									
Direction and supportive services.....	102	-	2	-	-	-	405,994	406	406,504
Protection of persons and property.....	18,966	2,570	-	35,958	-	-	15,517	466,959	539,970
Health and human services.....	-	-	61,779	-	731,310	-	8,621	48,037	849,747
Public education.....	-	-	-	-	-	-	616,192	207	616,399
Recreation and cultural enrichment.....	-	-	-	-	-	-	10,175	184,502	194,677
Economic development.....	-	-	167	-	2,979	-	56,737	214,086	273,969
Transportation.....	-	-	-	-	-	923,570	-	13,623	937,193
Capital outlay.....	-	-	-	-	-	-	-	13,104	13,104
TOTAL EXPENDITURES	19,068	2,570	61,948	35,958	734,289	923,570	1,113,236	940,924	3,831,563
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,800	(100)	(14,401)	6,202	(263,180)	129,061	280,971	168,312	312,665
OTHER FINANCING SOURCES (USES):									
Transfers in.....	-	-	-	-	-	113,558	-	175,954	289,512
Transfers out.....	-	-	-	-	-	(30,000)	(329,728)	(387,086)	(746,814)
NET OTHER FINANCING SOURCES (USES)	-	-	-	-	-	83,558	(329,728)	(211,132)	(457,302)
NET CHANGE IN FUND BALANCES	5,800	(100)	(14,401)	6,202	(263,180)	212,619	(48,757)	(42,820)	(144,637)
FUND BALANCES, JULY 1, 2014	24,477	2,474	103,305	776,452	345,054	215,885	673,270	886,155	3,027,072
FUND BALANCES, JUNE 30, 2015	\$ 30,277	\$ 2,374	\$ 88,904	\$ 782,654	\$ 81,874	\$ 428,504	\$ 624,513	\$ 843,335	\$ 2,882,435

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Nonmajor Funds
 Special Revenue Fund-Banking
 For the Fiscal Year Ended June 30, 2015
 (Amounts in thousands)

	<u>Original Budget</u>	<u>Difference</u>	<u>Final Budget</u>	<u>Difference</u>	<u>Actual (Budgetary Basis)</u>
REVENUES:					
State Programs:					
Licenses and fees.....	\$ 18,067	\$ 1,686	\$ 19,753	\$ 1,934	\$ 21,687
Fines, penalties and interest.....	400	-	400	88	488
Investment income.....	350	(63)	287	1	288
Unclaimed property.....	-	-	-	-	-
Departmental services.....	-	-	-	-	-
Miscellaneous.....	-	600	600	(600)	-
TOTAL STATE PROGRAMS.....	18,817	2,223	21,040	1,423	22,463
Federal Programs.....	-	-	-	-	-
TOTAL REVENUES.....	18,817	2,223	21,040	1,423	22,463
EXPENDITURES:					
State Programs.....	23,330	1,000	24,330	-	24,330
REVENUES OVER (UNDER) EXPENDITURES.....	(4,513)	1,223	(3,290)	1,423	(1,867)
OTHER FINANCING SOURCES:					
Prior year lapses.....	-	2,813	2,813	-	2,813
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	(4,513)	4,036	(477)	1,423	946
UNRESERVED/UNDESIGNATED FUND BALANCES					
(BUDGETARY BASIS), JUNE 30, 2014.....	10,620	-	10,620	-	10,620
UNRESERVED/UNDESIGNATED FUND BALANCES					
(BUDGETARY BASIS), JUNE 30, 2015.....	\$ 6,107	\$ 4,036	\$ 10,143	\$ 1,423	\$ 11,566

Budgetary Compliance

A separately available budgetary report, the "Status of Appropriations" (Special Funds), demonstrates budgetary expenditure compliance for the Banking Department for the fiscal year ended June 30, 2015 and is available at the following web address: <http://www.budget.pa.gov/Pages/default.aspx> (At the website, click on Publications & Reports, then June 2015.)

	<i>Special Funds "Status of Appropriations" Report Page Reference</i>	
Traceability to the " Status of Appropriations " Column Totals		
Total State Programs-Actual (Budgetary Basis) Expenditures		
Appropriations (Column A).....	224	\$ 24,330
plus Actual Augmentations (Column C).....	224	-
less Lapses (Column D).....	224	-
TOTAL STATE PROGRAMS Actual (Budgetary Basis) Expenditures		\$ 24,330

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).....	<u>\$ 946</u>
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue.....	(408)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities.....	<u>5,262</u>
Net adjustments.....	<u>4,854</u>
Modified accrual basis — net change in governmental fund balance.....	<u>\$ 5,800</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 169 to 171 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, 2015

(Amounts in thousands)

	<u>Original Budget</u>	<u>Difference</u>	<u>Final Budget</u>	<u>Difference</u>	<u>Actual (Budgetary Basis)</u>
REVENUES:					
State Programs:					
Licenses and fees.....	\$ 2,537	\$ (156)	\$ 2,381	\$ 78	\$ 2,459
Fines, penalties and interest.....	8	5	13	(8)	5
Investment income.....	7	(1)	6	-	6
TOTAL REVENUES.....	<u>2,552</u>	<u>(152)</u>	<u>2,400</u>	<u>70</u>	<u>2,470</u>
EXPENDITURES:					
State programs.....	2,840	-	2,840	-	2,840
REVENUES OVER (UNDER) EXPENDITURES.....	<u>(288)</u>	<u>(152)</u>	<u>(440)</u>	<u>70</u>	<u>(370)</u>
OTHER FINANCING SOURCES:					
Prior year lapses.....	-	322	322	-	322
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	<u>(288)</u>	<u>170</u>	<u>(118)</u>	<u>70</u>	<u>(48)</u>
UNRESERVED/UNDESIGNATED FUND BALANCES					
(BUDGETARY BASIS), JUNE 30, 2014.....	2,150	-	2,150	-	2,150
UNRESERVED/UNDESIGNATED FUND BALANCES					
(BUDGETARY BASIS), JUNE 30, 2015.....	<u>\$ 1,862</u>	<u>\$ 170</u>	<u>\$ 2,032</u>	<u>\$ 70</u>	<u>\$ 2,102</u>

A separately available report, the "Status of Appropriations" (Special Funds), demonstrates budgetary expenditure compliance for the Milk Marketing Fund for the fiscal year ended June 30, 2015 and is available at the following web address:
<http://www.budget.pa.gov/Pages/default.aspx> (At the website, click on Publications & Reports, then June 2015.)

Total Actual (Budgetary Basis) Expenditures of \$2,840 are traceable from page 228, Column A 'Appropriations' in the June 30, 2015 "Status of Appropriations" (Special Funds).

Reconciliation of Budgetary to GAAP Basis Amounts

The Commonwealth adopts a formal annual budget for the Milk Marketing Fund. The Budgetary Comparison Schedule presented above presents a comparison of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from governmental fund statement information primarily by the omission of certain revenue and expenditure accruals. The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting (amounts in thousands):

Budgetary basis — revenues and other sources over expenditures (from Actual column above).....	<u>\$ (48)</u>
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue.....	(322)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities.....	<u>270</u>
Net adjustments.....	<u>(52)</u>
Modified accrual basis — net change in governmental fund balance.....	<u>\$ (100)</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 169 to 171 are an integral part of this schedule. -

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Nonmajor Funds
 Special Revenue Fund-Workers' Compensation Administration
 For the Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Original Budget	Difference	Final Budget	Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Taxes, net of refunds.....	\$ 70,666	\$ 1,362	\$ 72,028	\$ (20,732)	\$ 51,296
Fines, penalties and interest.....	5	-	5	4	9
Investment income.....	224	-	224	(224)	-
Departmental services.....	-	-	-	-	-
Miscellaneous.....	720	(6)	714	(603)	111
TOTAL REVENUES.....	71,615	1,356	72,971	(21,555)	51,416
EXPENDITURES:					
State programs.....	72,666	477	73,143	-	73,143
REVENUES OVER (UNDER) EXPENDITURES.....	(1,051)	879	(172)	(21,555)	(21,727)
OTHER FINANCING SOURCES:					
Prior year lapses.....	-	11,504	11,504	-	11,504
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	(1,051)	12,383	11,332	(21,555)	(10,223)
UNRESERVED/UNDESIGNATED FUND BALANCES					
(BUDGETARY BASIS), JUNE 30, 2014.....	87,830	-	87,830	-	87,830
UNRESERVED/UNDESIGNATED FUND BALANCES					
(BUDGETARY BASIS), JUNE 30, 2015.....	\$ 86,779	\$ 12,383	\$ 99,162	\$ (21,555)	\$ 77,607

Budgetary Compliance

A separately available budgetary report, the "Status of Appropriations" (Special Funds), demonstrates budgetary expenditure compliance for the Workers' Compensation Administration Fund for the fiscal year ended June 30, 2015 and is available at the following web address:
<http://www.budget.pa.gov/Pages/default.aspx>(At the website, click on Publications & Reports, then June 2015.)

Special Funds
"Status of
Appropriations"
Report Page
Reference

Traceability to the " Status of Appropriations " Column Totals
Total State Programs-Actual (Budgetary Basis) Expenditures

Appropriations (Column A).....	320	\$ 72,666
plus Actual Augmentations (Column C).....	320	477
less Lapses (Column D).....	320	-
TOTAL STATE PROGRAMS Actual (Budgetary Basis) Expenditures		\$ 73,143

Reconciliation of Budgetary to GAAP Basis Amounts

The Commonwealth adopts a formal annual budget for the Workers' 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).....	\$ (10,223)
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue.....	(15,373)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities.....	11,195
Net adjustments.....	(4,178)
Modified accrual basis — net change in governmental fund balance.....	\$ (14,401)

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 169 to 171 are an integral part of this schedule. -

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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Debt Service Funds

**DEBT SERVICE FUNDS
DESCRIPTION
NONMAJOR FUNDS**

Debt service funds account for the accumulation of resources, principally from transfers from other Funds, for the payment of general long-term debt principal and interest.

Pennsylvania Infrastructure Investment Authority Redemption Fund — to account for the payment of principal and interest on bonds issued for loans to local water companies for the repair, construction, extension, and improvement of water supply systems, dams, port facilities, and water control systems. Funding consists of transfers from the **General Fund** and the Pennsylvania Infrastructure Investment Authority and investment income.

Capital Debt Fund — to account for the payment of principal and interest related to general obligation bonds issued for capital projects authorized by Capital Budget Acts. Funding consists of transfers from the **General Fund** and the **Motor License Fund**, facility rental, and investment income.

Growing Greener Bond Sinking Fund — payments for principal and interest for the Growing Greener Bond Fund are made from this Fund. Funding consists of transfers from the Environmental Stewardship Fund.

Water and Sewer Systems Assistance Bond Sinking Fund — payments to redeem or pay interest on bonds issued for the Water and Sewer Systems Assistance Fund are made from this Fund. Funding is requested annually by the Governor and appropriated by the General Assembly.

Water Supply and Wastewater Treatment Sinking Fund — monies in this fund are used to redeem or pay interest on bonds issued for the Water Supply and Wastewater Treatment Fund. Funding consists of monies appropriated annually by the General Assembly.

Other — these funds account for the payment of principal and interest on bonds issued for loans to nursing homes and volunteer fire companies, compensation to Vietnam conflict veterans, finance of various environmental initiatives, and for water and wastewater infrastructure projects related to economic development. Funding consists of transfers from the **General Fund**, Environmental Stewardship Fund, and investment income. This other category is an aggregation of fourteen individual debt service funds.

There are a total of nineteen individual debt service funds; all are reported as nonmajor funds.

Commonwealth of Pennsylvania
Combining Balance Sheet-Nonmajor Governmental Funds

Debt Service Funds
 June 30, 2015

(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.....	\$ 734	\$ 322,292	\$ -	\$ -	\$ -	\$ 423	\$ 323,449
Receivables (net):							
Accounts.....	-	3,222	-	-	-	-	3,222
Investment income.....	-	17	-	-	-	-	17
Lease rentals.....	-	427	-	-	-	-	427
Due from component units.....	401	-	-	49	-	-	450
TOTAL ASSETS.....	\$ 1,135	\$ 325,958	\$ -	\$ 49	\$ -	\$ 423	\$ 327,565
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities.....	\$ -	\$ 312,199	\$ -	\$ -	\$ -	\$ -	\$ 312,199
Unearned revenue.....	-	3,649	-	-	-	-	3,649
TOTAL LIABILITIES.....	-	315,848	-	-	-	-	315,848
Fund balances:							
Committed.....	1,135	10,110	-	49	-	423	11,717
TOTAL FUND BALANCES.....	1,135	10,110	-	49	-	423	11,717
TOTAL LIABILITIES AND FUND BALANCES....	\$ 1,135	\$ 325,958	\$ -	\$ 49	\$ -	\$ 423	\$ 327,565

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, 2015

(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.....	\$ -	\$ 20,019	\$ 1,170	\$ 49	\$ -	\$ -	\$ 21,238
Investment income.....	16	67	1	1	-	-	85
Other.....	13,830	16	-	-	-	-	13,846
TOTAL REVENUES	<u>13,846</u>	<u>20,102</u>	<u>1,171</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>35,169</u>
EXPENDITURES:							
Debt service:							
Principal retirement.....	9,455	683,115	22,410	7,990	9,205	370	732,545
Interest and fiscal charges.....	8,460	490,815	18,961	16,907	7,753	308	543,204
TOTAL EXPENDITURES	<u>17,915</u>	<u>1,173,930</u>	<u>41,371</u>	<u>24,897</u>	<u>16,958</u>	<u>678</u>	<u>1,275,749</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(4,069)</u>	<u>(1,153,828)</u>	<u>(40,200)</u>	<u>(24,847)</u>	<u>(16,958)</u>	<u>(678)</u>	<u>(1,240,580)</u>
OTHER FINANCING SOURCES (USES):							
Refunding bonds issued.....	-	782,106	-	-	-	-	782,106
Premium on refunding bonds.....	-	120,430	-	-	-	-	120,430
Transfers in.....	2,581	1,156,660	40,200	24,396	16,958	594	1,241,389
Payment to refunded bond escrow agent.....	-	(900,849)	-	-	-	-	(900,849)
NET OTHER FINANCING SOURCES	<u>2,581</u>	<u>1,158,347</u>	<u>40,200</u>	<u>24,396</u>	<u>16,958</u>	<u>594</u>	<u>1,243,076</u>
NET CHANGE IN FUND BALANCES	(1,488)	4,519	-	(451)	-	(84)	2,496
FUND BALANCES, JULY 1, 2014	<u>2,623</u>	<u>5,591</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>507</u>	<u>9,221</u>
FUND BALANCES, JUNE 30, 2015	<u>\$ 1,135</u>	<u>\$ 10,110</u>	<u>\$ -</u>	<u>\$ 49</u>	<u>\$ -</u>	<u>\$ 423</u>	<u>\$ 11,717</u>



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Capital Projects Funds

**CAPITAL PROJECTS FUNDS
DESCRIPTION
NONMAJOR FUNDS**

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities, including those provided to political subdivisions or other public organizations.

Capital Facilities Fund — to account for general obligation bond proceeds used to fund capital projects specifically itemized and authorized by Capital Budget Acts. Projects fall within six broad categories: public improvements, public improvement-original furniture and equipment, transportation assistance, redevelopment assistance, flood control and highway projects. Such projects include those of the primary government and also grants to non-primary government recipients.

Keystone Recreation, Park and Conservation Fund — to account for bond proceeds and a percentage of the state realty transfer tax. The amounts are used to acquire, improve and expand Commonwealth and community parks, recreation facilities, historic sites, zoos, public libraries, nature preserves and wildlife habitats and other recreational areas and facilities.

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 and various capital improvement projects including county environmental initiatives.

Water Supply and Wastewater Treatment Fund — funding for this program is generated from the \$250 million bond issue approved by the electorate in April of 2004. Funds are allocated to the **Commonwealth Financing Authority** and the Pennsylvania Infrastructure Investment Authority (PENNVEST) to be used for grants and loans for new and existing water supply and wastewater system projects in the Commonwealth.

Land and Water Development Fund — to account for the proceeds of bonds issued for pollution remediation; grants to local governments for sewage treatment facilities; the development of public outdoor recreation areas; and, acquisition and development of park and recreation lands and related studies to determine such needs.

Public Transportation Assistance Fund — This fund was established to help provide for the capital asset maintenance and certain 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.

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 Project Funds
 June 30, 2015

(Amounts in thousands)

	Capital Facilities	Keystone Recreation, Park and Conservation	Growing Greener Bond	Water Supply and Wastewater Treatment	Land and Water Development	Public Transportation Assistance	Total
ASSETS							
Cash.....	\$ 70	\$ 49	\$ -	\$ -	\$ -	\$ 3	\$ 122
Temporary investments.....	967,427	24,188	37,158	29,179	92	8,454	1,066,498
Long-term investments.....	-	113,504	-	-	-	-	113,504
Receivables (net):							
Taxes.....	-	-	-	-	-	29,200	29,200
Investment income.....	125	4	4	4	-	2	139
Due from other funds.....	3,056	7,894	-	-	-	9,196	20,146
Due from political subdivisions.....	5,208	-	-	-	-	-	5,208
TOTAL ASSETS.....	975,886	145,639	37,162	29,183	92	46,855	1,234,817
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities.....	\$ 154,087	\$ 4,508	\$ 3,002	\$ 137	\$ 5	\$ -	\$ 161,739
Securities lending obligations.....	-	2,103	-	-	-	-	2,103
Due to other funds.....	3,619	345	-	-	-	953	4,917
Due to pension trust funds.....	-	12	-	-	-	-	12
Due to political subdivisions.....	32,735	2,219	926	79	-	7,500	43,459
Due to other governments.....	17	5	-	-	-	-	22
TOTAL LIABILITIES.....	190,458	9,192	3,928	216	5	8,453	212,252
Fund balances:							
Committed.....	785,428	136,447	33,234	28,967	87	38,402	1,022,565
TOTAL FUND BALANCES.....	785,428	136,447	33,234	28,967	87	38,402	1,022,565
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 975,886	\$ 145,639	\$ 37,162	\$ 29,183	\$ 92	\$ 46,855	\$ 1,234,817

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, 2015

(Amounts in thousands)

	Capital Facilities	Keystone Recreation, Park and Conservation	Growing Greener Bond	Water Supply and Wastewater Treatment	Land and Water Development	Public Transportation Assistance	Total
REVENUES:							
Taxes.....	\$ -	\$ 72,603	\$ -	\$ -	\$ -	\$ 211,641	\$ 284,244
Charges for sales and services.....	9,095	-	-	-	-	-	9,095
Investment income.....	998	3,307	41	57	-	35	4,438
TOTAL REVENUES	10,093	75,910	41	57	-	211,676	297,777
EXPENDITURES:							
Current:							
Direction and supportive services.....	147,617	-	-	-	-	-	147,617
Protection of persons and property.....	-	-	2,068	-	10	-	2,078
Public education.....	-	13,409	75	-	-	-	13,484
Recreation and cultural enrichment.....	173	40,591	21,200	-	-	-	61,964
Economic development.....	244,964	-	3,031	2,709	-	-	250,704
Transportation.....	283,628	-	-	-	-	188,671	472,299
Capital outlay.....	326,884	2,983	5,494	-	-	-	335,361
Debt service:							
Interest and fiscal charges.....	5,623	-	107	-	-	-	5,730
TOTAL EXPENDITURES	1,008,889	56,983	31,975	2,709	10	188,671	1,289,237
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	(998,796)	18,927	(31,934)	(2,652)	(10)	23,005	(991,460)
OTHER FINANCING SOURCES (USES):							
Bonds issued.....	1,430,000	-	30,000	-	-	-	1,460,000
Refunding bonds issued.....	298	-	21	-	-	-	319
Premium on bonds issued.....	196,693	-	1,834	-	-	-	198,527
Discount on bonds issued.....	(1,395)	-	(46)	-	-	-	(1,441)
Transfers in.....	-	-	652	-	-	-	652
Transfers out.....	(48,338)	-	-	(249)	-	(19,115)	(67,702)
NET OTHER FINANCING SOURCES (USES)	1,577,258	-	32,461	(249)	-	(19,115)	1,590,355
NET CHANGE IN FUND BALANCES	578,462	18,927	527	(2,901)	(10)	3,890	598,895
FUND BALANCES JULY 1, 2014	206,966	117,520	32,707	31,868	97	34,512	423,670
FUND BALANCES JUNE 30, 2015	\$ 785,428	\$ 136,447	\$ 33,234	\$ 28,967	\$ 87	\$ 38,402	\$ 1,022,565



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

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.

State Stores Fund — to account for the general operations of the Pennsylvania Liquor Control Board. Expenses include all costs associated with the operation and administration of the liquor store system and enforcement of the Liquor Control Law.

Volunteer Companies Loan Fund — to account for and provide low-interest loans for acquisition and replacement of volunteer fire, ambulance and rescue company equipment and facilities.

Coal and Clay Mine Subsidence Insurance Fund — to account for and provide insurance coverage to homeowners in mining areas against damages resulting from mine subsidence.

Pennsylvania Infrastructure Bank Fund (PIB) — to account for and provide low-interest loans to, or enter into leases with, qualified borrowers to finance the costs of construction and capital transportation projects within Pennsylvania. Acts 165 and 7A of 2004 expanded this program to include financing of rail freight infrastructure. Eligible borrowers include local governments, transportation authorities, economic development agencies, not-for-profit organizations, and private corporations. The interest rate on PIB loans is fixed at one-half the prime lending rate with terms up to 10 years.

Rehabilitation Center Fund — to account for the activities of the Hiram G. Andrews Rehabilitation Center (Center) which offers rehabilitative, educational, vocational, life management, and counseling services, resulting in employment and independence for persons with disabilities. The Center is funded from fees for services rendered.

Philadelphia Regional Port Authority (PRPA) — The PRPA (a blended component unit) operates a port facility and manages port-related activities to promote commerce and economic development in southeastern Pennsylvania. The PRPA charges rental and other fees to port users and obtains funding from the Primary Government. The PRPA also issues revenue bonds to finance its activities.

Other — to account for enterprise operations including activities associated with low interest loans to manufacturers, financial and technical assistance to minority business enterprises, and loans and grants provided to attract industrial, manufacturing or research and development enterprises to the Commonwealth. This other category is an aggregation of seven individual enterprise funds.

There are a total of eighteen individual enterprise funds. The following funds are reported as Major Funds in the basic financial statements: **Unemployment Compensation, State Workers' Insurance, State Lottery, Tuition Payment** and the **Commonwealth Financing Authority** (a blended component unit).

Note: Included in the eighteen enterprise funds total are two funds (the Machinery and Equipment Loan Fund and the Small Business First Fund) that were part of the PG until November 1, 2014. Under the requirements of Act 161 of 2014 the funds were transferred to the Pennsylvania Industrial Development Authority (PIDA) a discretely presented component unit of the Commonwealth. Refer to the PIDA's stand-alone financial statements disclosures for information regarding this transfer.

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Commonwealth of Pennsylvania
 Combining Statement of Net Position-Nonmajor Proprietary Funds
 Enterprise Funds
 June 30, 2015

(Amounts in thousands)

	State Stores	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
ASSETS								
Current assets:								
Cash	\$ 20,212	\$ 131	\$ 14	\$ 41	\$ 84	\$ 6,325	\$ -	\$ 26,807
Cash with fiscal agents.....	-	-	-	-	1	-	-	1
Temporary investments.....	241,702	19,554	15,443	12,707	11,051	339	14,626	315,422
Receivables (net):								
Accounts	1,302	214	-	-	108	-	-	1,624
Investment income.....	-	3	2	2	2	-	2	11
Interest on loans.....	-	93	-	556	-	-	-	649
Loans.....	-	13,083	-	9,935	-	-	1,062	24,080
Lease rental.....	-	-	-	-	-	546	-	546
Other	-	-	-	-	-	10	-	10
Due from other funds	31	-	-	-	2,062	4,012	18	6,123
Due from component units.....	-	-	-	-	9	-	-	9
Due from Federal government.....	-	-	-	-	242	-	1	243
Due from other governments	-	-	-	-	-	87	-	87
Inventory.....	230,295	-	-	-	-	-	4	230,299
Prepaid expenses.....	3,766	-	-	-	-	620	-	4,386
Other assets.....	-	-	-	-	-	440	-	440
Total current assets	497,308	33,078	15,459	23,241	13,559	12,379	15,713	610,737
Noncurrent assets:								
Restricted cash.....	-	-	-	-	-	4,466	-	4,466
Long-term investments	-	39,414	101,946	46,693	-	-	-	188,053
Receivables:								
Loans.....	-	59,186	-	67,792	-	-	829	127,807
Non-depreciable capital assets:								
Land.....	323	-	-	-	-	158,482	-	158,805
Construction in progress.....	-	-	-	-	-	27,116	-	27,116
Depreciable or amortizable capital assets:								
Land improvements.....	-	-	-	-	-	50,553	-	50,553
Buildings and building improvements.....	20,316	-	-	-	34,135	344,143	-	398,594
Machinery and equipment.....	56,134	-	124	-	2,673	39,349	1,772	100,052
Intangible assets.....	20,076	-	-	-	-	-	-	20,076
Less: accumulated depreciation and amortization...	(58,832)	-	(68)	-	(25,348)	(178,078)	(1,706)	(264,032)
Net depreciable or amortizable capital assets.....	37,694	-	56	-	11,460	255,967	66	305,243
Other assets.....	-	-	-	-	-	16,968	-	16,968
Total noncurrent assets	38,017	98,600	102,002	114,485	11,460	462,999	895	828,458
TOTAL ASSETS.....	535,325	131,678	117,461	137,726	25,019	475,378	16,608	1,439,195
DEFERRED OUTFLOWS OF RESOURCES								
TOTAL DEFERRED OUTFLOWS OF RESOURCES..	34,101	-	220	-	1,844	2,267	177	38,609

Commonwealth of Pennsylvania
Combining Statement of Net Position-Nonmajor Proprietary Funds
 Enterprise Funds
 June 30, 2015

(Amounts in thousands)

	State Stores	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
LIABILITIES								
Current liabilities:								
Accounts payable and accrued liabilities.....	278,576	1,393	163	-	1,275	4,354	494	286,255
Securities lending obligations.....	-	730	1,888	865	-	-	-	3,483
Due to other funds.....	7,706	-	8	-	68	10	126	7,918
Due to pension trust funds.....	1,504	-	12	-	107	59	10	1,692
Due to component units.....	-	-	2	-	64	-	-	66
Due to political subdivisions.....	-	-	-	-	24	-	2	26
Due to other governments.....	527	-	4	-	35	2,460	3	3,029
Interest payable.....	-	-	-	-	-	398	-	398
Unearned revenue.....	-	96	2,454	59	-	1,029	-	3,638
Revenue bonds payable.....	-	-	-	-	-	3,695	-	3,695
Self insurance liabilities.....	8,079	-	11	-	95	93	30	8,308
Compensated absences.....	5,744	-	86	-	282	236	34	6,382
Other liabilities.....	-	-	-	-	-	250	-	250
Total current liabilities.....	302,136	2,219	4,628	924	1,950	12,584	699	325,140
Non-current liabilities:								
Insurance loss liability.....	-	-	408	-	-	-	-	408
Revenue bond payable.....	-	-	-	-	-	21,199	-	21,199
Compensated absences.....	22,976	-	345	-	1,130	944	136	25,531
Self insurance liabilities.....	43,523	-	60	-	511	500	167	44,761
Other postemployment benefit obligations.....	82,077	-	567	-	4,702	2,418	461	90,225
Net pension liability.....	399,258	-	2,627	-	22,017	12,407	2,126	438,435
Other liabilities.....	-	-	-	-	-	267	-	267
Total non-current liabilities.....	547,834	-	4,007	-	28,360	37,735	2,890	620,826
TOTAL LIABILITIES.....	849,970	2,219	8,635	924	30,310	50,319	3,589	945,966
DEFERRED INFLOWS OF RESOURCES								
TOTAL DEFERRED INFLOWS OF RESOURCES...	3,305	-	22	-	182	49	17	3,575
NET POSITION								
Net investment in capital assets.....	38,017	-	56	-	11,460	432,539	66	482,138
Restricted for:								
Transportation.....	-	-	-	136,802	-	-	-	136,802
Debt service.....	-	-	-	-	-	4,199	-	4,199
Economic development.....	-	-	-	-	-	-	5,256	5,256
Emergency support.....	-	129,459	-	-	-	-	-	129,459
Other purposes.....	-	-	108,968	-	-	-	7,857	116,825
Deficit.....	(321,866)	-	-	-	(15,089)	(9,461)	-	(346,416)
TOTAL NET POSITION.....	\$ (283,849)	\$ 129,459	\$ 109,024	\$ 136,802	\$ (3,629)	\$ 427,277	\$ 13,179	\$ 528,263

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, 2015

(Amounts in thousands)

	State Stores	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.....	\$ 1,880,256	\$ -	\$ 5,318	\$ 5	\$ 121	\$ 11,069	\$ 2,381	\$ 1,899,150
Interest on loans.....	-	1,417	-	1,278	-	-	1,080	3,775
Other.....	-	-	-	-	-	9	80	89
OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS.....	1,880,256	1,417	5,318	1,283	121	11,078	3,541	1,903,014
Provision for uncollectible accounts.....	-	(9)	-	(858)	-	-	(3,410)	(4,277)
NET OPERATING REVENUES.....	1,880,256	1,408	5,318	425	121	11,078	131	1,898,737
OPERATING EXPENSES:								
Cost of sales and services.....	1,790,659	251	3,176	-	2,882	13,327	3,665	1,813,960
Depreciation.....	10,016	-	32	-	1,609	17,159	77	28,893
Other.....	-	-	-	-	-	5,892	-	5,892
TOTAL OPERATING EXPENSES.....	1,800,675	251	3,208	-	4,491	36,378	3,742	1,848,745
OPERATING INCOME (LOSS).....	79,581	1,157	2,110	425	(4,370)	(25,300)	(3,611)	49,992
NONOPERATING REVENUES (EXPENSES):								
Investment income.....	430	1,351	3,090	2,013	22	1	415	7,322
Grants and other revenues.....	-	-	-	-	1,503	200	11,890	13,593
Other expenses.....	(23)	-	-	-	-	(4,940)	-	(4,963)
TOTAL NONOPERATING REVENUES (EXPENSES).....	407	1,351	3,090	2,013	1,525	(4,739)	12,305	15,952
INCOME (LOSS) BEFORE TRANSFERS, CONTRIBUTIONS, AND SPECIAL ITEMS.....	79,988	2,508	5,200	2,438	(2,845)	(30,039)	8,694	65,944
TRANSFERS AND CONTRIBUTIONS:								
Capital contributions.....	-	-	-	-	-	232	-	232
Transfers in.....	-	-	-	-	-	49,336	3,000	52,336
Transfers out.....	(81,672)	(30,000)	-	-	-	-	(180,000)	(291,672)
TRANSFERS AND CONTRIBUTIONS, NET.....	(81,672)	(30,000)	-	-	-	49,568	(177,000)	(239,104)
SPECIAL ITEM:								
Loss on transfer of operations.....	-	-	-	-	-	-	(157,930)	(157,930)
CHANGE IN NET POSITION.....	(1,684)	(27,492)	5,200	2,438	(2,845)	19,529	(326,236)	(331,090)
TOTAL NET POSITION, JULY 1, 2014 (Restated)....	(282,165)	156,951	103,824	134,364	(784)	407,748	339,415	859,353
TOTAL NET POSITION, JUNE 30, 2015.....	\$ (283,849)	\$ 129,459	\$ 109,024	\$ 136,802	\$ (3,629)	\$ 427,277	\$ 13,179	\$ 528,263

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

Enterprise Funds

For the Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	State Stores	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.....	\$ 1,879,999	\$ -	\$ -	\$ -	\$ 141	\$ 11,527	\$ 2,429	\$ 1,894,096
Receipts from borrowers for fees and loan repayments.....	-	14,946	-	13,510	-	-	10,305	38,761
Receipt of premiums.....	-	-	5,382	-	-	-	-	5,382
Payments to claimants.....	-	-	(808)	-	-	-	-	(808)
Payments to borrowers.....	-	(8,802)	-	(21,317)	-	-	(15,604)	(45,723)
Payments for vendors, employees and other costs.....	(1,765,507)	(250)	(2,502)	-	(1,789)	(14,684)	(3,097)	(1,787,829)
Other receipts.....	-	-	-	-	-	-	43	43
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	114,492	5,894	2,072	(7,807)	(1,648)	(3,157)	(5,924)	103,922
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:								
Transfers in.....	-	-	-	-	-	3,100	-	3,100
Transfers out.....	(82,473)	(30,000)	-	-	-	-	(180,000)	(292,473)
Grants and other revenues.....	-	-	-	-	1,325	-	21	1,346
Other payments for non-capital financing uses.....	-	-	-	-	-	(6,502)	(193)	(6,695)
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES.....	(82,473)	(30,000)	-	-	1,325	(3,402)	(180,172)	(294,722)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Acquisition and construction of capital assets.....	(11,766)	-	(4)	-	(8)	(41,117)	-	(52,895)
Disposition of capital assets.....	-	-	-	-	-	(1,679)	-	(1,679)
Interest payments on other capital debt.....	-	-	-	-	-	(21)	-	(21)
Transfers in.....	-	-	-	-	-	54,582	-	54,582
Capital contributions.....	-	-	-	-	-	322	-	322
Other payments for capital and related financing uses.....	-	-	-	-	-	(6,015)	-	(6,015)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES.....	(11,766)	-	(4)	-	(8)	6,072	-	(5,706)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Purchase of investments.....	(1,415,178)	(14,529)	(6,841)	(16,424)	(23,013)	(8,169)	(19,170)	(1,503,324)
Sales and maturities of investments.....	1,383,742	37,904	2,764	23,042	23,324	8,387	204,537	1,683,700
Investment income.....	430	844	1,949	1,187	21	1	264	4,696
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES.....	(31,006)	24,219	(2,128)	7,805	332	219	185,631	185,072
NET INCREASE (DECREASE) IN CASH.....	(10,753)	113	(60)	(2)	1	(268)	(465)	(11,434)
CASH AT JULY 1, 2014.....	30,965	18	74	43	84	11,059	465	42,708
CASH AT JUNE 30, 2015 (including \$4,466 included in restricted assets).....	\$ 20,212	\$ 131	\$ 14	\$ 41	\$ 85	\$ 10,791	\$ -	\$ 31,274

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

Enterprise Funds
 For the Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	State Stores	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).....	\$ 79,581	\$ 1,157	\$ 2,110	\$ 425	\$ (4,370)	\$ (25,300)	\$ (3,611)	\$ 49,992
Depreciation and amortization of capital assets.....	10,016	-	32	-	1,609	17,159	77	28,893
Amortization of other assets.....	-	-	-	-	-	5,892	-	5,892
Provision for uncollectible accounts.....	-	9	-	858	-	-	3,410	4,277
Other adjustments.....	-	-	-	-	(64)	-	-	(64)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:								
Accounts receivable.....	(483)	-	-	-	22	-	-	(461)
Interest on loans receivable.....	-	16	-	(58)	-	-	-	(42)
Loans receivable.....	-	3,467	-	(8,854)	-	-	(6,925)	(12,312)
Lease rental receivable.....	-	-	-	-	-	226	-	226
Due from other funds.....	226	-	-	-	(13)	-	(4)	209
Due from other governments.....	-	-	-	-	-	(51)	-	(51)
Inventory.....	(23,508)	-	-	-	-	-	-	(23,508)
Prepaid expenses.....	(467)	-	-	-	-	(20)	-	(487)
Other current and noncurrent assets.....	-	-	-	-	-	(3)	-	(3)
Deferred outflows.....	(19,617)	-	(127)	-	(1,040)	(527)	(104)	(21,415)
Accounts payable and accrued liabilities.....	(1,191)	1,243	(116)	(174)	194	(2,009)	607	(1,446)
Due to other funds.....	(1,941)	-	2	-	21	(4)	102	(1,820)
Due to pension trust funds.....	(444)	-	3	-	33	14	-	(394)
Due to component units.....	-	-	(21)	-	64	-	-	43
Due to political subdivisions.....	-	-	-	-	4	-	2	6
Due to other governments.....	(287)	-	-	-	6	-	(1)	(282)
Unearned revenue.....	-	2	70	(4)	-	-	-	68
Self insurance liabilities.....	19,257	-	(68)	-	(697)	(116)	87	18,463
Compensated absences.....	523	-	33	-	(120)	(83)	18	371
Insurance loss liability.....	-	-	(251)	-	-	-	-	(251)
Other postemployment benefit obligations.....	14,671	-	89	-	741	416	72	15,989
Net pension liability.....	34,851	-	294	-	1,780	975	329	38,229
Other current and noncurrent liabilities.....	-	-	-	-	-	225	-	225
Deferred inflows.....	3,305	-	22	-	182	49	17	3,575
Total Adjustments.....	34,911	4,737	(38)	(8,232)	2,722	22,143	(2,313)	53,930
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	\$ 114,492	\$ 5,894	\$ 2,072	\$ (7,807)	\$ (1,648)	\$ (3,157)	\$ (5,924)	\$ 103,922
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:								
Increase (decrease) in fair value of investments during the fiscal year.....	\$ -	\$ 510	\$ 1,142	\$ (1,990)	\$ -	\$ -	\$ 165	\$ (173)
Decrease in investments from changes in securities lending obligations.....	-	(357)	(647)	(932)	-	-	(3,803)	(5,739)
Increase in investments from reclassification of asset previously reported as cash.....	-	-	-	-	-	557	-	557
Capital asset disposals.....	(23)	-	-	-	-	-	-	(23)
Transfers from other funds (accruals and adjust advances from other funds).....	-	-	-	-	-	(8,346)	3,000	(5,346)
Transfers to other funds (accruals).....	801	-	-	-	-	-	-	801
Correction for unreported prior fiscal year loan program net position	-	-	-	-	-	-	11,869	11,869
Special item loss on transfer of operations	-	-	-	-	-	-	(157,737)	(157,737)

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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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

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, motor vehicles, and other equipment by the Department of General Services for the sale or lease to other Commonwealth departments, boards or 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 agencies 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, 2015

(Amounts in thousands)	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash.....	\$ 1,891	\$ 603	\$ 2,494
Temporary investments.....	12,710	7,573	20,283
Receivables (net):			
Accounts.....	7	377	384
Investment income.....	4	1	5
Due from other funds.....	28,866	1,791	30,657
Due from pension trust funds.....	3,306	3,672	6,978
Due from component units.....	161	2	163
Due from political subdivisions.....	-	22	22
Inventory.....	40	17,497	17,537
Total current assets.....	<u>46,985</u>	<u>31,538</u>	<u>78,523</u>
Noncurrent assets:			
Long-term investments	-	19,707	19,707
Depreciable capital assets:			
Land improvements.....	192	-	192
Buildings and building improvements.....	-	6,221	6,221
Machinery and equipment.....	66,667	35,136	101,803
Less: accumulated depreciation.....	(35,048)	(20,075)	(55,123)
Net depreciable capital assets.....	<u>31,811</u>	<u>21,282</u>	<u>53,093</u>
Total noncurrent assets.....	<u>31,811</u>	<u>40,989</u>	<u>72,800</u>
TOTAL ASSETS.....	<u>78,796</u>	<u>72,527</u>	<u>151,323</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>1,090</u>	<u>2,587</u>	<u>3,677</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued liabilities.....	34,814	5,864	40,678
Securities lending obligations.....	-	365	365
Due to other funds.....	11,354	241	11,595
Due to pension trust funds.....	172	197	369
Due to component units.....	14	-	14
Due to political subdivisions.....	-	5	5
Due to other governments.....	10	25	35
Self insurance liabilities.....	129	432	561
Compensated absences.....	160	365	525
Total current liabilities.....	<u>46,653</u>	<u>7,494</u>	<u>54,147</u>
Non-current liabilities:			
Installment purchase.....	1,129	-	1,129
Compensated absences.....	639	1,461	2,100
Self insurance liabilities.....	693	2,329	3,022
Other postemployment benefit obligations.....	2,390	5,898	8,288
Net pension liability.....	13,017	30,896	43,913
Total non-current liabilities.....	<u>17,868</u>	<u>40,584</u>	<u>58,452</u>
TOTAL LIABILITIES.....	<u>64,521</u>	<u>48,078</u>	<u>112,599</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>108</u>	<u>256</u>	<u>364</u>
<u>NET POSITION</u>			
Net investment in capital assets.....	30,682	21,282	51,964
Restricted for:			
Correctional industries and procurement.....	-	5,498	5,498
Unrestricted (deficit).....	(15,425)	-	(15,425)
TOTAL NET POSITION.....	<u>\$ 15,257</u>	<u>\$ 26,780</u>	<u>\$ 42,037</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, 2015

(Amounts in thousands)	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
OPERATING REVENUES:			
Sales and services.....	\$ 18,060	\$ 72,679	\$ 90,739
OPERATING EXPENSES:			
Cost of sales and services.....	12,076	68,963	81,039
Depreciation.....	12,212	2,024	14,236
TOTAL OPERATING EXPENSES	<u>24,288</u>	<u>70,987</u>	<u>95,275</u>
OPERATING GAIN/(LOSS)	<u>(6,228)</u>	<u>1,692</u>	<u>(4,536)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income.....	31	677	708
Other expenses.....	(247)	-	(247)
TOTAL NONOPERATING REVENUES (EXPENSES), NET....	<u>(216)</u>	<u>677</u>	<u>461</u>
CHANGE IN NET POSITION	(6,444)	2,369	(4,075)
TOTAL NET POSITION, JULY 1, 2014 (Restated)	<u>21,701</u>	<u>24,411</u>	<u>46,112</u>
TOTAL NET POSITION, JUNE 30, 2015	<u>\$ 15,257</u>	<u>\$ 26,780</u>	<u>\$ 42,037</u>

Commonwealth of Pennsylvania
Combining Statement of Cash Flows-Nonmajor Proprietary Funds
Internal Service Funds
For the Fiscal Year Ended June 30, 2015

(Amounts in thousands)	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers.....	\$ 17,910	\$ 72,783	\$ 90,693
Payments for vendors, employees and other costs.....	(12,135)	(70,439)	(82,574)
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	<u>5,775</u>	<u>2,344</u>	<u>8,119</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets.....	(14,845)	(4,288)	(19,133)
Capital lease/installment purchase payments.....	(249)	-	(249)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES...	<u>(15,094)</u>	<u>(4,288)</u>	<u>(19,382)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments.....	(410,599)	(50,853)	(461,452)
Sales and maturities of investments.....	419,168	52,484	471,652
Investment income.....	30	422	452
NET CASH PROVIDED BY INVESTING ACTIVITIES.....	<u>8,599</u>	<u>2,053</u>	<u>10,652</u>
NET INCREASE (DECREASE) IN CASH.....	<u>(720)</u>	<u>109</u>	<u>(611)</u>
CASH AT JULY 1, 2014.....	<u>2,611</u>	<u>494</u>	<u>3,105</u>
CASH AT JUNE 30, 2015.....	<u>\$ 1,891</u>	<u>\$ 603</u>	<u>\$ 2,494</u>

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES**

Operating income (loss).....	\$ (6,228)	\$ 1,692	\$ (4,536)
Depreciation and amortization of capital assets.....	12,212	2,024	14,236
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:			
Accounts receivable.....	-	1,159	1,159
Due from other funds.....	(5,883)	676	(5,207)
Due from pension trust funds.....	(2,246)	787	(1,459)
Due from component units.....	(66)	(1)	(67)
Due from political subdivisions.....	-	(22)	(22)
Due from other governments.....	-	16	16
Inventory.....	(8)	(2,192)	(2,200)
Other current and noncurrent assets.....	-	45	45
Deferred outflows.....	(634)	(1,339)	(1,973)
Accounts payable and accrued liabilities.....	(679)	(2,338)	(3,017)
Due to other funds.....	6,942	101	7,043
Due to pension trust funds.....	144	130	274
Due to component units.....	12	-	12
Due to political subdivisions.....	-	5	5
Due to other governments.....	1	2	3
Self insurance liabilities.....	97	710	807
Compensated absences.....	51	(109)	(58)
Other postemployment benefit obligations.....	428	1,247	1,675
Net pension liability.....	1,524	(505)	1,019
Deferred inflows.....	108	256	364
Total Adjustments.....	<u>12,003</u>	<u>652</u>	<u>12,655</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	<u>\$ 5,775</u>	<u>\$ 2,344</u>	<u>\$ 8,119</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Increase in fair value of investments during the fiscal year.....	\$ -	\$ 255	\$ 255
Decrease in investments from changes in securities lending obligations.....	-	(178)	(178)
Capital assets acquired through installment purchases.....	863	-	863
Capital asset acquisitions that pertain to changes in accounts payable.....	(1,269)	8	(1,261)
Capital asset disposals.....	(247)	-	(247)

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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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

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 post employment benefit plans and are held by the Commonwealth in a trustee capacity.

PENSION TRUST FUNDS

State Employees' Retirement System (SERS) — a component unit organization reported as a Pension Trust Fund that administers and provides retirement, disability, and death benefits to members of the SERS and their beneficiaries.

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 — a component unit organization that administers and provides pension benefits to public school employees in Pennsylvania.

OTHER EMPLOYEE BENEFIT TRUST FUNDS

Public School Employees' Retirement System-Postemployment Healthcare — a component unit organization reported as an employee benefit trust fund that administers and provides retirement, disability, and death benefits to members and their beneficiaries.

Other Postemployment Benefits Investment Pool — an employee benefit trust fund that holds and invests amounts contributed by the Commonwealth of Pennsylvania for the sole purpose of providing post retirement healthcare benefits to retired employees and retired Pennsylvania State Police.

Commonwealth of Pennsylvania
Combining Statement of Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds
June 30, 2015

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust					
	State Employees' Retirement System	Deferred Compensation	Public School Employees' Retirement System	Postemployment Healthcare	Other Postemployment Benefits Investment Pool	Total
	(December 31, 2014)	(December 31, 2014)	Pension	Healthcare	Pool	Total
ASSETS						
Cash.....	\$ -	\$ 6,932	\$ 225,464	\$ -	\$ 152	\$ 232,548
Temporary investments.....	-	10,314	-	-	74,260	84,574
Long-term investments.....	-	82,060	-	-	225,320	307,380
Short-term funds.....	1,662,559	54,753	3,250,700	174,804	-	5,142,816
Corporate obligations.....	919,501	372,157	1,594,524	-	-	2,886,182
Collective trust funds.....	-	-	13,102,950	-	-	13,102,950
Real estate.....	3,972,621	-	6,386,295	-	-	10,358,916
Alternative.....	7,265,454	-	10,802,952	-	-	18,068,406
Securities lending collateral.....	362,217	81	1,207,170	-	-	1,569,468
Asset-backed securities.....	328,272	80,317	930,954	-	-	1,339,543
Derivatives.....	-	-	13,113	-	-	13,113
Domestic equities.....	6,096,376	1,304,500	5,216,388	-	-	12,617,264
International equities.....	3,849,956	150,181	6,203,747	-	-	10,203,884
International private debt securities.....	-	-	231,271	-	-	231,271
International public debt securities.....	298,930	23,096	610,486	-	-	932,512
Mortgage-backed securities.....	589,472	446,154	338,782	-	-	1,374,408
Private placements.....	495,477	2,497	-	-	-	497,974
Repurchase agreements.....	-	-	-	97,483	-	97,483
U.S. Treasury obligations.....	1,832,702	401,439	1,040,152	-	-	3,274,293
U.S. government agency debt securities.....	132,605	22,054	358,966	-	-	513,625
Receivables (net):						
Investment income.....	57,805	11	149,175	59	-	207,050
Interest on notes and loans.....	-	-	-	-	575	575
Pension contributions.....	-	5,519	1,069,100	34,050	-	1,108,669
Investment sale proceeds.....	79,732	-	1,031,297	-	-	1,111,029
Other.....	2,989	39	360	16,800	-	20,188
Due from other funds.....	8,196	-	10,495	-	-	18,691
Due from pension trust funds.....	1,611	-	566	-	-	2,177
Due from component units.....	45,225	-	-	-	-	45,225
Due from political subdivisions.....	23,293	-	-	-	-	23,293
Due from other governments.....	-	-	-	24,015	-	24,015
Depreciable or amortizable capital assets:						
Machinery and equipment.....	-	-	12,632	-	-	12,632
Intangible assets.....	-	-	36,335	-	-	36,335
Less: accumulated depreciation and amortization.....	-	-	(26,153)	-	-	(26,153)
Net depreciable or amortizable capital assets.....	-	-	22,814	-	-	22,814
TOTAL ASSETS.....	28,024,993	2,962,104	53,797,721	347,211	300,307	85,432,336
DEFERRED OUTFLOWS OF RESOURCES						
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	-	-	3,895	-	-	3,895
LIABILITIES						
Accounts payable and accrued liabilities.....	56,313	1,752	97,876	2,019	80	158,040
Investment purchases payable.....	268,685	-	300,398	700	-	569,783
Securities lending obligations.....	362,217	81	1,207,170	-	74,260	1,643,728
Due to other funds.....	-	14	2,138	-	-	2,152
Due to pension trust funds.....	-	126	878	-	-	1,004
Net pension liability.....	-	-	47,272	-	-	47,272
Other liabilities.....	-	-	560,319	44,939	-	605,258
TOTAL LIABILITIES.....	687,215	1,973	2,216,051	47,658	74,340	3,027,237
DEFERRED INFLOWS OF RESOURCES						
TOTAL DEFERRED INFLOWS OF RESOURCES.....	-	-	44	-	-	44
NET POSITION						
Restricted and held in trust for:						
Pension benefits.....	27,337,778	-	51,585,521	-	-	78,923,299
Postemployment healthcare benefits.....	-	-	-	299,553	225,967	525,520
Employee salary deferrals.....	-	2,960,131	-	-	-	2,960,131
TOTAL NET POSITION.....	\$ 27,337,778	\$ 2,960,131	\$ 51,585,521	\$ 299,553	\$ 225,967	\$ 82,408,950

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, 2015

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust					Total
	State Employees' Retirement System	Deferred Compensation	Public School Employees' Retirement System		Other Postemployment Benefits	
	(December 31, 2014)	(December 31, 2014)	Pension	Postemployment Healthcare	Investment Pool	
ADDITIONS:						
Contributions:						
Pension:						
Employer.....	\$ 1,084,104	\$ -	\$ 2,596,731	\$ 159,244	\$ 758,000	\$ 4,598,079
Employee.....	365,923	129,473	984,634	281,855	-	1,761,885
Transfer in from other plans.....	-	64,796	-	-	50,000	114,796
Total pension contributions.....	1,450,027	194,269	3,581,365	441,099	808,000	6,474,760
Total contributions.....	1,450,027	194,269	3,581,365	441,099	808,000	6,474,760
Investment income:						
Net appreciation/(depreciation) in fair value of investments.....	1,155,301	161,907	511,997	(128)	(2,395)	1,826,682
Interest income.....	142,434	29,453	178,845	562	22	351,316
Dividend income.....	246,528	-	279,940	-	4,000	530,468
Rental and other income.....	94,966	-	803,908	-	321	899,195
Total investment activity income.....	1,639,229	191,360	1,774,690	434	1,948	3,607,661
Less: investment expenses						
Investment activity expense.....	(186,527)	(3,476)	(455,140)	(67)	-	(645,210)
Net investment earnings.....	1,452,702	187,884	1,319,550	367	1,948	2,962,451
Securities lending activities:						
Income.....	9,917	333	9,934	-	-	20,184
Expenses.....	(568)	(1)	(968)	-	-	(1,537)
Total securities lending income.....	9,349	332	8,966	-	-	18,647
Total net investment income.....	1,462,051	188,216	1,328,516	367	1,948	2,981,098
TOTAL ADDITIONS.....	2,912,078	382,485	4,909,881	441,466	809,948	9,455,858
DEDUCTIONS:						
Benefit payments.....	2,936,591	74,548	6,196,252	393,553	758,100	10,359,044
Refunds of contributions.....	9,874	-	20,920	-	-	30,794
Transfers to other plans.....	-	107,569	3,429	-	-	110,998
Administrative expenses.....	21,991	281	42,331	30,169	21	94,793
Other expenses.....	-	3,463	-	-	410	3,873
TOTAL DEDUCTIONS.....	2,968,456	185,861	6,262,932	423,722	758,531	10,599,502
CHANGE IN PLAN NET POSITION HELD IN TRUST FOR:						
Pension benefits.....	(56,378)	-	(1,353,051)	-	-	(1,409,429)
Postemployment healthcare benefits.....	-	-	-	17,744	51,417	69,161
Employee salary deferrals.....	-	196,624	-	-	-	196,624
TOTAL CHANGE IN PLAN NET POSITION HELD IN TRUST.....	(56,378)	196,624	(1,353,051)	17,744	51,417	(1,143,644)
Net position, July 1, 2014 (restated).....	27,394,156	2,763,507	52,938,572	281,809	174,550	83,552,594
Net position, June 30, 2015.....	\$ 27,337,778	\$ 2,960,131	\$ 51,585,521	\$ 299,553	\$ 225,967	\$ 82,408,950



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Private-Purpose Trust Funds

**PRIVATE-PURPOSE TRUST FUNDS
DESCRIPTION**

Private-purpose trust funds are used to report assets held in a trustee capacity where the principal and income benefit individuals, private organizations or other governments.

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.

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.

There are two private-purpose trust funds.

Commonwealth of Pennsylvania
Combining Statement of Fiduciary Net Position
Private-Purpose Trust Funds
June 30, 2015

(Amounts in thousands)

	Tuition Account Investment Program	Monetary Penalty Endowments Trust	Total
ASSETS			
Cash.....	\$ 3,589	\$ -	\$ 3,589
Temporary investments.....	-	36,031	36,031
Long-term investments.....	1,874,363	-	1,874,363
Receivables (net):			
Accounts.....	75	-	75
Investment income.....	-	6	6
TOTAL ASSETS.....	1,878,027	36,037	1,914,064
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities.....	1,321	-	1,321
Investment purchases payable.....	377	-	377
TOTAL LIABILITIES.....	1,698	-	1,698
NET POSITION			
Restricted and held in trust for:			
Tuition Account Program participants.....	1,876,329	-	1,876,329
Other.....	-	36,037	36,037
TOTAL NET POSITION.....	\$ 1,876,329	\$ 36,037	\$ 1,912,366

Commonwealth of Pennsylvania
Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds
For the Fiscal Year Ended June 30, 2015
(Amounts in thousands)

	Tuition Account Investment Program	Monetary Penalty Endowments Trust	Total
ADDITIONS:			
Contributions:			
Other.....	\$ -	\$ 36,019	\$ 36,019
Investment income:			
Net appreciation/(depreciation) in fair value of investments.....	15,115	-	15,115
Interest income.....	40,572	18	40,590
Total net investment income.....	55,687	18	55,705
Share transactions (at net asset value of \$1.00 per share):			
Net increase in net assets from share transactions.....	139,886	-	139,886
TOTAL ADDITIONS.....	195,573	36,037	231,610
DEDUCTIONS:			
Administrative expenses.....	5,764	-	5,764
CHANGE IN PLAN NET POSITION HELD IN TRUST FOR:			
Tuition Account Investment Program participants.....	189,809	-	189,809
Other.....	-	36,037	36,037
TOTAL CHANGE IN PLAN NET POSITION HELD IN TRUST.....	189,809	36,037	225,846
Net position, July 1, 2014.....	1,686,520	-	1,686,520
Net position, June 30, 2015.....	\$ 1,876,329	\$ 36,037	\$ 1,912,366



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Agency Funds

AGENCY FUNDS DESCRIPTION

Agency 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.

Medical Care Availability and Reduction of Error Fund — to collect surcharges from health care providers and remit payments for judgments, awards, or settlements in medical malpractice claims which exceed basic limits of coverage provided in professional liability insurance policies.

Allegheny Regional Asset District Sales and Use Tax Fund — to collect an additional 1% 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.

Underground Storage Tank Indemnification Fund — to collect assessments and remit claim payments to owners and operators of underground storage tanks who incur a liability for taking corrective action, for bodily injury or for property damage caused by a release from underground storage tanks.

Municipal Pension Aid Fund — to collect a two percent premium tax received from foreign (out-of-state) casualty insurance companies conducting business in the Commonwealth, which are remitted to municipalities to help defray municipal police and fire pension fund costs.

Fire Insurance Tax Fund — to collect a two-percent premium tax received from foreign (out-of-state) fire insurance companies conducting business in the Commonwealth, which are remitted to local governments. The municipalities must pay these monies to the relief, pension, or retirement fund of their recognized fire fighting organization.

Agency Custodial Accounts — to account for the assets of patients, residents, inmates and other non-Commonwealth funds for which the Commonwealth is the account custodian.

Other — to collect and administer funds from various sources for distribution to other state and local governments or the Federal Government. This other category is an aggregation of ten individual agency funds.

There are a total of seventeen individual agency funds.

Commonwealth of Pennsylvania
 Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2015

(Amounts in thousands)

	Statutory Liquidator	Medical Care Availability & Reduction of Error	Allegheny Regional Asset District Sales and Use Tax	Underground Storage Tank Indemnification	Municipal Pension Aid	Fire Insurance Tax	Agency Custodial Accounts	Other	Total Agency Funds
ASSETS									
Cash.....	\$ -	\$ 155	\$ 144	\$ 4	\$ -	\$ -	\$ 12,929	\$ 267	\$ 13,499
Cash with fiscal agents.....	49,563	-	-	-	-	-	-	-	49,563
Temporary investments.....	111,968	222,827	14,318	30,848	263,420	80,940	22,676	44,867	791,864
Long-term investments.....	2,900,385	61,890	-	191,045	-	-	-	-	3,153,320
Receivables (net):									
Taxes.....	-	-	17,433	-	-	-	-	27,799	45,232
Accounts.....	19,223	-	-	14,363	-	-	4,712	1	38,299
Investment income.....	12,914	35	1	871	46	-	-	5	13,872
Investment sale proceeds.....	618	-	-	171	-	-	-	-	789
Advances to other funds.....	-	-	-	67,500	-	-	-	-	67,500
Other assets.....	4,275,016	-	-	-	-	-	886	-	4,275,902
TOTAL ASSETS.....	7,369,687	284,907	31,896	304,802	263,466	80,940	41,203	72,939	8,449,840
LIABILITIES									
Accounts payable and accrued liabilities.....	\$ -	\$ 146,501	\$ 220	\$ 13,042	\$ 9,878	\$ -	\$ 12,206	\$ 206	\$ 182,053
Investment purchases payable.....	6,502	-	-	311	-	-	-	-	6,813
Securities lending obligations.....	1,287	1,146	-	10,700	-	-	-	-	13,133
Due to political subdivisions.....	-	-	31,676	25	253,588	80,940	-	68,462	434,691
Due to other governments.....	-	5	-	1	-	-	-	-	6
Compensated absence liability.....	-	456	-	37	-	-	-	-	493
Self insurance liabilities.....	-	160	-	33	-	-	-	-	193
Other postemployment benefit obligations.....	-	1,392	-	241	-	-	-	-	1,633
Net pension liability.....	2,641	5,920	-	1,284	-	-	-	-	9,845
Other liabilities.....	7,359,257	129,327	-	279,128	-	-	28,997	4,271	7,800,980
TOTAL LIABILITIES.....	7,369,687	284,907	31,896	304,802	263,466	80,940	41,203	72,939	8,449,840

Commonwealth of Pennsylvania
Combining Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 For the Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
STATUTORY LIQUIDATOR FUND				
<u>ASSETS</u>				
Cash with fiscal agents.....	\$ 31,164	\$ 760,180	\$ 741,781	\$ 49,563
Temporary investments.....	109,832	111,968	109,832	111,968
Long-term investments.....	2,886,033	1,272,474	1,258,122	2,900,385
Receivables (net):				
Accounts.....	21,004	18,843	20,624	19,223
Investment income.....	12,453	58,306	57,845	12,914
Investment sale proceeds.....	4,067	104,347	107,796	618
Other assets.....	4,128,785	465,173	318,942	4,275,016
TOTAL ASSETS	<u>7,193,338</u>	<u>2,791,291</u>	<u>2,614,942</u>	<u>7,369,687</u>
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities.....	25	-	25	-
Investment purchases payable.....	7,152	163,251	163,901	6,502
Securities lending obligations.....	1,995	1,287	1,995	1,287
Net pension liability.....	-	2,641	-	2,641
Other liabilities.....	7,184,166	7,359,257	7,184,166	7,359,257
TOTAL LIABILITIES	<u>7,193,338</u>	<u>7,526,436</u>	<u>7,350,087</u>	<u>7,369,687</u>
MEDICAL CARE AVAILABILITY AND REDUCTION OF ERROR FUND				
<u>ASSETS</u>				
Cash.....	\$ 723	\$ 773,271	\$ 773,839	\$ 155
Temporary investments.....	194,932	249,818	221,923	222,827
Long-term investments.....	63,493	61,890	63,493	61,890
Receivables (net):				
Investment income.....	25	36	26	35
TOTAL ASSETS	<u>259,173</u>	<u>1,085,015</u>	<u>1,059,281</u>	<u>284,907</u>
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities.....	143,010	653,749	650,258	146,501
Securities lending obligations.....	1,814	1,146	1,814	1,146
Due to other funds.....	-	124	124	-
Due to other governments.....	4	11	10	5
Compensated absence liability.....	371	456	371	456
Self insurance liabilities.....	293	160	293	160
Other postemployment benefit obligations.....	1,188	1,392	1,188	1,392
Net pension liability.....	-	11,384	5,464	5,920
Other liabilities.....	112,493	163,919	147,085	129,327
TOTAL LIABILITIES	<u>259,173</u>	<u>832,341</u>	<u>806,607</u>	<u>284,907</u>

(continued)

Commonwealth of Pennsylvania
Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds (continued)

For the Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
ALLEGHENY REGIONAL ASSET DISTRICT				
SALES AND USE TAX FUND				
ASSETS				
Cash.....	\$ 137	\$ 604,529	\$ 604,522	\$ 144
Temporary investments.....	14,823	186,850	187,355	14,318
Receivables (net):				
Taxes.....	14,241	30,843	27,651	17,433
Investment income.....	1	1	1	1
TOTAL ASSETS	<u>29,202</u>	<u>822,223</u>	<u>819,529</u>	<u>31,896</u>
LIABILITIES				
Accounts payable and accrued liabilities.....	865	220	865	220
Due to political subdivisions.....	28,337	17,212	13,873	31,676
TOTAL LIABILITIES	<u>\$ 29,202</u>	<u>\$ 17,432</u>	<u>\$ 14,738</u>	<u>\$ 31,896</u>
UNDERGROUND STORAGE TANK				
INDEMNIFICATION FUND				
ASSETS				
Cash.....	\$ 2,104	\$ 457,726	\$ 459,826	\$ 4
Temporary investments.....	17,420	133,766	120,338	30,848
Long-term investments.....	179,857	213,970	202,782	191,045
Receivables (net):				
Accounts.....	14,235	14,363	14,235	14,363
Investment income.....	742	871	742	871
Interest on notes and loans.....	-	1,614	1,614	-
Loans.....	-	1,210	1,210	-
Investment sale proceeds.....	297	171	297	171
Advances to other funds.....	67,500	-	-	67,500
TOTAL ASSETS	<u>282,155</u>	<u>823,691</u>	<u>801,044</u>	<u>304,802</u>
LIABILITIES				
Accounts payable and accrued liabilities.....	9,819	168,574	165,351	13,042
Investment purchases payable.....	1,206	311	1,206	311
Securities lending obligations.....	7,129	10,700	7,129	10,700
Due to other funds.....	-	488	488	-
Due to political subdivisions.....	38	234	247	25
Due to other governments.....	1	11	11	1
Compensated absence liability.....	54	37	54	37
Self insurance liabilities.....	65	33	65	33
Other postemployment benefit obligations.....	197	241	197	241
Net pension liability.....	-	2,466	1,182	1,284
Other liabilities.....	263,646	17,615	2,133	279,128
TOTAL LIABILITIES	<u>282,155</u>	<u>200,710</u>	<u>178,063</u>	<u>304,802</u>

(continued)

Commonwealth of Pennsylvania

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds (continued)

For the Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
MUNICIPAL PENSION AID FUND				
<u>ASSETS</u>				
Cash.....	\$ 35	\$ 1,267,388	\$ 1,267,423	\$ -
Temporary investments.....	264,131	286,470	287,181	263,420
Receivables (net):				
Investment income.....	35	46	35	46
TOTAL ASSETS	<u>264,201</u>	<u>1,553,904</u>	<u>1,554,639</u>	<u>263,466</u>
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities.....	10,089	523,099	523,310	9,878
Due to political subdivisions.....	254,112	1,592,078	1,592,602	253,588
TOTAL LIABILITIES	<u>\$ 264,201</u>	<u>\$ 2,115,177</u>	<u>\$ 2,115,912</u>	<u>\$ 263,466</u>
FIRE INSURANCE TAX FUND				
<u>ASSETS</u>				
Cash.....	\$ -	\$ 329,029	\$ 329,029	\$ -
Temporary investments.....	84,092	88,400	91,552	80,940
TOTAL ASSETS	<u>84,092</u>	<u>417,429</u>	<u>420,581</u>	<u>80,940</u>
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities.....	1	139,529	139,530	-
Due to political subdivisions.....	84,091	134,325	137,476	80,940
Due to other governments.....	-	2	2	-
TOTAL LIABILITIES	<u>\$ 84,092</u>	<u>\$ 273,856</u>	<u>\$ 277,008</u>	<u>\$ 80,940</u>
AGENCY CUSTODIAL ACCOUNTS				
<u>ASSETS</u>				
Cash.....	\$ 12,075	\$ 1,844	\$ 990	\$ 12,929
Temporary investments.....	19,958	3,014	296	22,676
Receivables (net):				
Accounts.....	4,539	182	9	4,712
Other assets.....	1,010	31	155	886
TOTAL ASSETS	<u>37,582</u>	<u>5,071</u>	<u>1,450</u>	<u>41,203</u>
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities.....	11,559	704	57	12,206
Other liabilities.....	26,023	4,205	1,231	28,997
TOTAL LIABILITIES	<u>\$ 37,582</u>	<u>\$ 4,909</u>	<u>\$ 1,288</u>	<u>\$ 41,203</u>

(continued)

Commonwealth of Pennsylvania
Combining Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds (continued)
 For the Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
OTHER FUNDS				
ASSETS				
Cash.....	\$ 578	\$ 2,772,809	\$ 2,773,120	\$ 267
Temporary investments.....	37,833	780,581	773,547	44,867
Receivables (net):				
Taxes.....	17,878	47,748	37,827	27,799
Accounts.....	2	1	2	1
Investment income.....	3	7	5	5
TOTAL ASSETS	<u>56,294</u>	<u>3,601,146</u>	<u>3,584,501</u>	<u>72,939</u>
LIABILITIES				
Accounts payable and accrued liabilities.....	4,253	82,403	86,450	206
Due to political subdivisions.....	47,898	81,261	60,697	68,462
Other liabilities.....	4,143	128	-	4,271
TOTAL LIABILITIES	<u>\$ 56,294</u>	<u>\$ 163,792</u>	<u>\$ 147,147</u>	<u>\$ 72,939</u>
TOTAL — AGENCY FUNDS				
ASSETS				
Cash.....	\$ 15,652	\$ 6,206,596	\$ 6,208,749	\$ 13,499
Cash with fiscal agents.....	31,164	760,180	741,781	49,563
Temporary investments.....	743,021	1,840,867	1,792,024	791,864
Long-term investments.....	3,129,383	1,548,334	1,524,397	3,153,320
Receivables (net):				
Taxes.....	32,119	78,591	65,478	45,232
Accounts.....	39,780	33,389	34,870	38,299
Investment income.....	13,259	59,267	58,654	13,872
Interest on notes and loans.....	-	1,614	1,614	-
Loans.....	-	1,210	1,210	-
Investment sale proceeds.....	4,364	104,518	108,093	789
Advances to other funds.....	67,500	-	-	67,500
Other assets.....	4,129,795	465,204	319,097	4,275,902
TOTAL ASSETS	<u>8,206,037</u>	<u>11,099,770</u>	<u>10,855,967</u>	<u>8,449,840</u>
LIABILITIES				
Accounts payable and accrued liabilities.....	179,621	1,568,278	1,565,846	182,053
Investment purchases payable.....	8,358	163,562	165,107	6,813
Securities lending obligations.....	10,938	13,133	10,938	13,133
Due to other funds.....	-	612	612	-
Due to political subdivisions.....	414,476	1,825,110	1,804,895	434,691
Due to other governments.....	5	24	23	6
Compensated absence liability.....	425	493	425	493
Self insurance liabilities.....	358	193	358	193
Other postemployment benefit obligations.....	1,385	1,633	1,385	1,633
Net pension liability.....	-	16,491	6,646	9,845
Other liabilities.....	7,590,471	7,545,124	7,334,615	7,800,980
TOTAL LIABILITIES	<u>8,206,037</u>	<u>11,134,653</u>	<u>10,890,850</u>	<u>8,449,840</u>

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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Discretely Presented Component Units

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS DESCRIPTION

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable, or other organizations for which the nature and significance of the relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

State Public School Building Authority – issues limited obligation revenue bonds, the proceeds of which are used to finance the construction of facilities for school districts. These bonds are repaid solely from lease/loan payments from the schools.

Philadelphia Shipyard Development Corporation – assists the primary government (PG) and other governmental entities in financing a shipbuilding facility at the former Philadelphia Naval Shipyard. The Philadelphia Shipyard Development Corporation has a December 31, 2014 fiscal year end.

Ben Franklin Technology Development Authority – promotes economic development through interaction of technology development, modernization and training programs. Industrial resource centers and technology centers, established through the Ben Franklin Technology Development Authority increase Pennsylvania business competitiveness.

Pennsylvania Higher Educational Facilities Authority – issues limited obligation revenue bonds, the proceeds of which are used to finance the construction of facilities for public/private colleges and universities. These bonds are repaid solely from lease/loan payments from the colleges and universities.

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 two year technical college that prepares students for skilled employment in a diverse, ever-changing workforce. The College offers a two year degree or nine month certificate, in twenty two 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 eHealth Partnership Authority – promotes and maintains a health information exchange that complies with Federal and State law.

There are a total of sixteen 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, 2015

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyard Development Corporation (December 31, 2014)	Ben Franklin Technology Development Authority	Pennsylvania Higher Educational Facilities Authority	Port of Pittsburgh Commission
ASSETS					
Current assets:					
Cash.....	\$ -	\$ 1,342	\$ -	\$ -	\$ -
Temporary investments.....	4,244	-	9,999	-	2,139
Receivables (net):					
Accounts	5	-	-	-	1
Investment income.....	109	-	2	-	-
Interest on notes and loans.....	23	-	-	-	-
Loans.....	2,330	-	-	-	-
Other	-	-	-	-	-
Due from primary government.....	-	-	1	-	-
Due from Federal government.....	-	-	-	-	1,251
Inventory.....	-	-	-	-	-
Prepaid and deferred expenses.....	-	16	-	-	-
Total current assets	6,711	1,358	10,002	-	3,391
Noncurrent assets:					
Restricted cash.....	-	-	-	-	-
Long-term investments.....	22,517	-	-	-	-
Receivables (net):					
Loans.....	2,725	-	10,801	-	-
Non-depreciable capital assets:					
Land.....	-	161	-	-	-
Construction in progress.....	-	-	-	-	-
Depreciable or amortizable capital assets:					
Land improvements.....	-	-	-	-	-
Buildings and building improvements.....	-	-	-	-	-
Machinery and equipment.....	353	-	-	-	2,060
Library books.....	-	-	-	-	-
Intangible assets.....	-	-	-	-	33
Less: accumulated depreciation and amortization.....	(328)	-	-	-	(1,242)
Net depreciable or amortizable capital assets.....	25	-	-	-	851
Other assets.....	-	12,836	-	-	-
Total noncurrent assets	25,267	12,997	10,801	-	851
TOTAL ASSETS.....	31,978	14,355	20,803	-	4,242
DEFERRED OUTFLOWS OF RESOURCES					
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	162	-	44	-	71
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities.....	108	-	1,566	-	867
Securities lending obligations.....	-	-	-	-	-
Due to primary government.....	-	-	3	-	6
Due to other governments.....	-	-	-	-	-
Interest payable.....	-	-	-	-	-
Unearned revenue.....	-	-	-	-	-
Revenue bonds payable.....	-	-	-	-	-
Capital lease/installment purchase obligations.....	-	-	-	-	-
Self insurance.....	-	-	-	-	-
Compensated absences.....	36	-	-	-	-
Other financing obligations.....	-	-	-	-	-
Other postemployment benefit obligations.....	-	-	-	-	-
Other liabilities.....	41	-	-	-	-
Total current liabilities.....	185	-	1,569	-	873
Non-current liabilities:					
Revenue bond payable.....	-	-	-	-	2,000
Capital lease/installment purchase obligations.....	-	-	-	-	-
Compensated absences.....	74	-	-	-	81
Self insurance.....	-	-	-	-	-
Other postemployment benefit obligations.....	363	-	92	-	158
Net pension liability.....	1,760	-	532	-	951
Other liabilities.....	195	12,836	-	-	-
Total non-current liabilities.....	2,392	12,836	624	-	3,190
TOTAL LIABILITIES.....	2,577	12,836	2,193	-	4,063
DEFERRED INFLOWS OF RESOURCES					
TOTAL DEFERRED INFLOWS OF RESOURCES.....	-	-	4	-	4
NET POSITION					
Net investment in capital assets.....	25	161	-	-	(1,164)
Restricted for:					
Health-related programs.....	-	-	-	-	-
Debt service.....	-	-	-	-	-
Economic development.....	-	1,358	18,650	-	1,410
Other purposes.....	29,538	-	-	-	-
Unrestricted/(Deficit).....	-	-	-	-	-
TOTAL NET POSITION.....	\$ 29,563	\$ 1,519	\$ 18,650	\$ -	\$ 246

Pennsylvania Industrial Development Authority	Pennsylvania Convention Center Authority	Thaddeus Stevens College of Technology	Pennsylvania Energy Development Authority	Pennsylvania eHealth Partnership Authority	Total
\$ 185	\$ 41,296	\$ 8,334	\$ 10	\$ -	\$ 51,167
258,907	-	-	573	3,894	279,756
-	2,468	20	-	-	2,494
-	-	-	-	-	111
477	-	-	-	-	500
49,598	-	-	68	-	51,996
-	-	423	-	-	423
9	4,872	-	-	-	4,882
-	-	-	-	145	1,396
-	-	647	-	-	647
-	2,153	69	-	-	2,238
309,176	50,789	9,493	651	4,039	395,610
-	-	1,498	-	-	1,498
-	-	2,243	5,151	-	29,911
321,076	-	-	-	-	334,602
-	994	-	-	-	1,155
-	9,771	67	-	-	9,838
-	-	2,156	-	-	2,156
-	759,962	535	-	-	760,497
-	166,664	6,221	-	-	175,298
-	-	540	-	-	540
-	-	-	-	-	33
-	(282,643)	(5,305)	-	-	(289,518)
-	643,983	4,147	-	-	649,006
438	2,327	965	-	-	16,566
321,514	657,075	8,920	5,151	-	1,042,576
630,690	707,864	18,413	5,802	4,039	1,438,186
15,361	827	1,096	7	1,067	18,635
139	11,526	1,852	-	420	16,478
545	-	-	95	-	640
229	-	-	-	12	250
1	-	-	-	-	1
3,205	-	-	-	-	3,205
-	2,636	42	-	-	2,678
1,520	-	-	-	-	1,520
-	-	97	-	-	97
7	-	-	-	-	7
-	-	372	-	17	425
7	-	-	-	-	7
-	293	-	-	-	293
-	159	-	-	4	204
5,653	14,614	2,363	95	453	25,805
218,519	-	-	-	-	220,519
-	-	353	-	-	353
-	-	1,853	-	71	2,079
36	-	-	-	-	36
284	3,835	3,033	5	55	7,825
1,664	885	11,449	84	2,267	19,592
143	2,596	62	-	-	15,832
220,646	7,316	16,750	89	2,393	266,236
226,299	21,930	19,113	184	2,846	292,041
13	34	315	1	24	395
-	654,747	3,764	-	-	657,533
-	-	-	-	2,236	2,236
32,832	-	-	-	-	32,832
-	31,980	-	5,624	-	59,022
-	-	-	-	-	29,538
386,907	-	(3,683)	-	-	383,224
\$ 419,739	\$ 686,727	\$ 81	\$ 5,624	\$ 2,236	\$ 1,164,385

Commonwealth of Pennsylvania
Combining Statement of Activities
 Nonmajor Discretely Presented Component Units
 For the Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyards Development Corporation (December 31, 2014)	Ben Franklin Technology Development Authority	Pennsylvania Higher Educational Facilities Authority
Expenses.....	\$ 1,609	\$ 287	\$ 25,494	\$ 1,333
Program revenues:				
Charges for goods and services.....	1,447	-	675	1,333
Operating grants and contributions.....	402	4	14,528	-
Capital grants and contributions.....	-	-	-	-
Total program revenues.....	1,849	4	15,203	1,333
Net (expense) revenue.....	240	(283)	(10,291)	-
Special item:				
Gain on transfer of operations.....	-	-	-	-
Change in net position.....	240	(283)	(10,291)	-
Net position, July 1, 2014 (restated).....	29,323	1,802	28,941	-
Net position, June 30, 2015.....	\$ 29,563	\$ 1,519	\$ 18,650	\$ -

Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Pennsylvania Convention Center Authority	Thaddeus Stevens College of Technology	Pennsylvania Energy Development Authority	Pennsylvania eHealth Partnership Authority	Total
\$ 3,229	\$ 10,339	\$ 73,691	\$ 22,572	\$ 69	\$ 3,522	\$ 142,145
3	12,047	14,119	8,365	31	-	38,020
2,941	980	30,929	14,724	173	2,598	67,279
-	-	4,315	-	-	-	4,315
2,944	13,027	49,363	23,089	204	2,598	109,614
(285)	2,688	(24,328)	517	135	(924)	(32,531)
-	157,930	-	-	-	-	157,930
(285)	160,618	(24,328)	517	135	(924)	125,399
531	259,121	711,055	(436)	5,489	3,160	1,038,986
\$ 246	\$ 419,739	\$ 686,727	\$ 81	\$ 5,624	\$ 2,236	\$ 1,164,385

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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Statistical Section

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Financial Trends

These tables illustrate how the Commonwealth's financial position has changed over time by providing information on the Commonwealth's net position, changes in net position, fund balance, and changes in fund balance.

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Revenue Capacity

These tables contain information on the factors that affect the Commonwealth's ability to generate its own-source revenues. The Commonwealth's largest source of revenues is taxes. Information for the three largest tax types is contained within these tables. Personal income, sales, and corporation taxes account for 76% of all general revenues for the June 30, 2015 fiscal year (as reported in the Statement of Activities).

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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)

	2006	2007	2008 (4)	2009 (4)	2010	2011	2012 (5)	2013 (5)(7)	2014 (7)(8)	2015 (8)(9)
GOVERNMENTAL ACTIVITIES (1)										
Net investment in capital assets.....	\$ 19,068,573	\$ 20,015,677	\$ 21,482,118	\$ 22,821,832	\$ 24,102,905	\$ 25,352,588	\$ 26,580,581	\$ 27,774,808	\$ 28,344,818	\$ 29,177,938
Restricted for:										
General government operations (2)(6).....	N/A	N/A	N/A	N/A	N/A	672,834	-	1,739	-	35
Health-related programs.....	1,320,703	1,454,502	1,410,932	1,291,318	1,048,684	61,785	18,977	18,830	16,982	15,412
Transportation.....	1,578,753	1,266,928	1,520,801	1,342,189	1,318,358	1,000,129	670,168	352,317	298,733	481,202
Capital projects.....	196,301	213,556	-	-	11	-	-	-	-	-
Debt service.....	8,118	20,474	27,458	16,834	46,853	-	-	-	-	-
Unemployment/worker's compensation.....	29,754	104,579	120,181	125,515	301,372	367,006	427,934	499,547	528,908	405,823
Elderly programs.....	32,327	10,808	38,264	62,183	50,213	-	-	-	-	-
Environmental and conservation programs.....	435,976	473,210	457,726	529,274	592,672	331,102	565,891	512,807	551,972	365,837
Economic development (3).....	18,171	16,217	22,530	23,576	25,312	-	-	-	-	-
Gaming licensing/regulation (3).....	2,128	299,396	947,145	917,466	771,616	720,578	725,468	709,348	651,467	502,589
Correctional industries and procurement (3).....	133,934	30,348	46,541	37,701	49,467	62,868	71,095	52,287	38,976	5,498
Emergency support (3).....	56,543	60,917	58,063	57,324	58,209	51,926	46,793	52,178	50,535	55,044
Higher education (3).....	N/A	N/A	7,023	8,985	7,715	-	-	-	-	-
Other purposes (3).....	82,770	87,077	88,580	58,842	55,616	40,078	35,614	35,626	57,614	24,019
Unrestricted (deficit).....	(372,089)	343,162	(648,689)	(4,053,146)	(4,881,426)	(4,407,594)	(5,460,053)	(5,685,524)	(7,658,746)	(17,846,863)
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION.....	22,591,962	24,396,851	25,578,673	23,239,893	23,547,577	24,253,300	23,682,468	24,323,963	22,881,259	13,186,534
BUSINESS-TYPE ACTIVITIES (1)										
Net investment in capital assets.....	82,694	56,010	72,668	78,561	74,392	84,065	77,259	465,161	489,357	504,790
Restricted for:										
Health-related programs.....	4,814	2,413	1,942	1,059	2,837	2,323	1,340	4,456	5,588	-
Transportation.....	52,960	58,085	103,274	103,652	110,987	118,938	121,760	126,986	134,364	136,802
Debt service.....	-	-	-	-	-	-	-	4,199	4,199	4,199
Unemployment/worker's compensation.....	2,397,720	2,547,726	2,378,092	342,098	-	-	-	-	-	-
Elderly programs.....	325,925	340,836	124,351	-	-	-	-	-	-	-
Economic development (3)(9).....	212,792	288,246	299,924	283,012	295,502	304,767	309,636	325,269	333,821	5,256
Emergency support (3).....	126,505	129,546	132,837	134,685	138,884	144,834	147,747	151,853	156,951	129,459
Higher Education.....	N/A	N/A	-	-	-	-	-	29,009	155,638	226,767
Other purposes (3).....	152,629	165,168	126,799	76,573	85,177	94,985	98,203	105,929	147,076	116,825
Unrestricted (deficit).....	-	-	(73,973)	(403,122)	(1,916,364)	(2,314,339)	(1,913,601)	(2,412,444)	(1,961,503)	(1,632,295)
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION.....	3,356,039	3,588,030	3,165,914	616,518	(1,208,585)	(1,564,427)	(1,157,656)	(1,199,582)	(534,509)	(508,197)
PRIMARY GOVERNMENT (1)										
Net investment in capital assets.....	19,151,267	20,071,687	21,554,786	22,900,393	24,177,297	25,436,653	26,657,840	28,239,969	28,834,175	29,682,728
Restricted for:										
General government operations (2)(6).....	N/A	N/A	N/A	N/A	N/A	672,834	-	1,739	-	35
Health-related programs.....	1,325,517	1,456,915	1,412,874	1,292,377	1,051,521	64,108	20,317	23,286	22,570	15,412
Transportation.....	1,631,713	1,325,013	1,624,075	1,445,841	1,429,345	1,119,067	791,928	479,303	433,097	618,004
Capital projects.....	196,301	213,556	-	-	11	-	-	-	-	-
Debt service.....	8,118	20,474	27,458	16,834	46,853	-	-	4,199	4,199	4,199
Unemployment/worker's compensation.....	2,427,474	2,652,305	2,498,273	467,613	301,372	367,006	427,934	499,547	528,908	405,823
Elderly programs.....	358,252	351,644	162,615	62,183	50,213	-	-	-	-	-
Environmental and conservation programs.....	435,976	473,210	457,726	529,274	592,672	331,102	565,891	512,807	551,972	365,837
Economic development (3)(9).....	230,963	304,463	322,454	306,588	320,814	304,767	309,636	325,269	333,821	5,256
Gaming licensing/regulation (3).....	2,128	299,396	947,145	917,466	771,616	720,578	725,468	709,348	651,467	502,589
Correctional industries and procurement (3).....	133,934	30,348	46,541	37,701	49,467	62,868	71,095	52,287	38,976	5,498
Emergency support (3).....	183,048	190,463	190,900	192,009	197,093	196,760	194,540	204,031	207,486	184,503
Higher education (3).....	N/A	N/A	7,023	8,985	7,715	-	-	29,009	155,638	226,767
Other purposes (3).....	235,399	252,245	215,379	135,415	140,793	135,063	133,817	141,555	204,690	140,844
Unrestricted (deficit).....	(372,089)	343,162	(722,662)	(4,456,268)	(6,797,790)	(6,721,933)	(7,373,654)	(8,097,968)	(9,620,249)	(19,479,158)
TOTAL PRIMARY GOVERNMENT NET POSITION (1).....	\$ 25,948,001	\$ 27,984,881	\$ 28,744,587	\$ 23,856,411	\$ 22,338,992	\$ 22,688,873	\$ 22,524,812	\$ 23,124,381	\$ 22,346,750	\$ 12,678,337

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)

Source: The Commonwealth's Comprehensive Annual Financial Report (CAFR), as presented for the applicable fiscal year. For fiscal years 2005-2012, the information can be found in the Statement of Net Assets. Beginning with the 2013 fiscal year, the information can be found in the Statement of Net Position.

Notes:

(1)-Beginning with the 2013 fiscal year, the Commonwealth implemented two new GASB standards which affected this table. With the implementation of GASB 61, two component units (Commonwealth Financing Authority and Philadelphia Regional Port Authority), previously reported as discretely presented component units, are reported as blended component units and are classified as proprietary fund types. Therefore, their net position is reported within the Business-Type Activities caption. In addition, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within the Governmental Activities caption. The implementation of GASB 63 resulted in the Commonwealth reporting a Statement of Net Position for the 2013 fiscal year, replacing the Statement of Net Assets which had been reported in previous fiscal years. For purposes of this table, the implementation of GASB 63 had no effect other than changing the title of this table and the net investment in capital assets caption title. The purpose of each reported caption did not change with the implementation. These two standards were not retroactively applied to the previous fiscal years; therefore the amounts shown for the 2006-2012 fiscal years were those reported within the Statement of Net Assets for the applicable fiscal year. For ease of reading this table and the additional notes shown below, net position is interchanged with net assets which were in effect for fiscal years 2006-2012.

(2)-For the 2011 fiscal year, the caption "General government operations" was created specifically for any net position restrictions reported within that portion of the General Fund not associated with the 38 former Special Revenue funds which were reclassified as components of the General Fund. In past fiscal years, this portion, if not reported as a deficit, was reported within various net position restriction categories. These changes have not been retroactively applied to prior fiscal years.

(3)-Since the 2008 fiscal year, the "Higher education" restricted net position category was created to provide a more refined description of the restrictions. This restriction was not applied retroactively and is marked with N/A in the fiscal years prior to its creation. This category was created for funds previously reported in the "Other purposes" category. The most notable funds reported in the "Other purposes" category prior to June 30, 2008 but now in the "Higher education" category are the Educational Assistance Program Fund and the Community College Capital Fund (both components of the General Fund since the June 30, 2011 fiscal year).

(4)-In the June 30, 2009 CAFR, the beginning net position balance for Governmental Activities was restated and decreased by \$273,654 as of July 1, 2008. Therefore, the ending net position balance (for both Governmental Activities and Total Primary Government Net position) shown in this table as of June 30, 2008 plus the change in net position shown in Table 2 for the June 30, 2009 fiscal year will differ from the ending net position balance (for both Governmental and Total Primary Government Net position) shown in this table as of June 30, 2009. Note B in the Notes to the Financial Statements in the June 30, 2009 CAFR provides additional details on this restatement.

(5)-As a result of the implementation of GASB 61 described in Note 1 above, the beginning net position balance for Governmental Activities and Business-Type Activities was decreased by \$6,165 and \$273,595, respectively, as of July 1, 2012. Therefore, the ending net position balance (for Governmental Activities, Business-Type Activities, and Total Primary Government) shown in this table as of June 30, 2012 plus the change in net position shown in Table 2 for the June 30, 2013 fiscal year will differ from the ending net position balance (for Governmental Activities, Business Type Activities and Total Primary Government) shown in this table as of June 30, 2013. Note B in the Notes to the Financial Statements in the June 30, 2013 CAFR provides additional details on this restatement.

(6)-For the 2011 fiscal year, balances in the amount of \$672,834 related to the grant ledgers were reported as restricted. Since the 2012 fiscal year, those balances have been reported as unrestricted/(deficit).

(7)-For the 2014 fiscal year, the Commonwealth implemented GASB Statement 65 requiring the deferral of resources. With the implementation of GASB 65, the beginning net position for Governmental Activities, Business Type Activities and Total Primary Government Net Position was restated and decreased by \$31,614, \$34,565, and \$66,179, respectively, as of July 1, 2013. Therefore, the ending net position balance (for Governmental Activities, Business-Type Activities, and Total Primary Government) shown in this table as of June 30, 2013 plus the change in net position shown in Table 2 for the June 30, 2014 fiscal year will differ from the ending net position balance (for Governmental Activities, Business Type Activities and Total Primary Government) shown in this table as of June 30, 2014. Note B in the Notes to the Financial Statements in the June 30, 2014 CAFR provides additional details on this restatement.

(8)-For the 2015 fiscal year, the Commonwealth implemented GASB Statements 68 and 71, which required the reporting of net pension liability, including the associated deferral of resources. With the implementation of GASB 68 and 71, the beginning net position for Governmental Activities, Business Type Activities and Total Primary Government Net Position was restated and decreased by \$10,622,867, \$460,686, and \$11,083,553, respectively, as of July 1, 2014. Therefore, the ending net position balance (for Governmental Activities, Business-Type Activities, and Total Primary Government) shown in this table as of June 30, 2014 plus the change in net position shown in Table 2 for the June 30, 2015 fiscal year will differ from the ending net position balance (for Governmental Activities, Business Type Activities and Total Primary Government) shown in this table as of June 30, 2015. Note B to the Financial Statements provides additional details on this restatement.

(9)-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.

Commonwealth of Pennsylvania

Financial Trends

Table 2
Changes in Net Position
For the Last Ten Fiscal Years Ended June 30
(Accrual basis of accounting—amounts in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014 (4)	2015 (5)
GOVERNMENTAL ACTIVITIES (1)										
Expenses:										
Direction and supportive services.....	\$ 2,162,552	\$ 1,208,409	\$ 1,479,962	\$ 1,492,541	\$ 1,950,908	\$ 2,052,743	\$ 2,243,649	\$ 1,528,057	\$ 1,619,894	\$ 1,415,057
Protection of persons and property	4,439,794	4,487,633	4,922,684	5,480,770	5,682,950	5,384,710	5,541,681	6,010,950	6,216,380	6,659,818
Public education.....	11,816,608	12,464,663	13,107,648	14,045,890	14,520,733	14,864,360	13,394,225	13,885,466	14,205,019	14,451,280
Health and human services.....	24,139,762	24,264,933	25,215,388	26,615,566	28,321,389	30,388,529	30,680,717	30,495,970	31,634,286	33,880,187
Economic development.....	1,409,506	1,738,172	1,720,992	1,614,214	1,580,654	1,598,596	1,537,068	1,032,887	1,005,570	977,910
Transportation.....	3,229,351	3,922,517	4,182,916	4,278,022	4,951,010	4,465,639	4,382,503	4,764,139	5,204,513	5,751,229
Recreation and cultural enrichment.....	520,330	569,510	571,009	602,365	559,311	491,082	514,309	519,242	522,662	615,175
Interest.....	337,142	344,557	371,249	382,065	395,305	440,428	475,545	489,401	494,177	266,477
Total expenses.....	48,055,045	49,000,394	51,571,848	54,511,433	57,962,260	59,686,087	58,769,697	58,726,112	60,902,501	64,017,133
Program revenues:										
Charges for sales and services:										
Direction and supportive services.....	991,541	143,290	143,933	74,320	216,188	252,572	277,492	363,296	256,820	975,506
Protection of persons and property	1,080,708	1,309,256	1,214,038	1,083,889	1,331,281	1,034,481	1,302,020	1,380,582	1,348,469	1,350,043
Public education.....	13,161	14,793	17,641	15,756	18,201	14,928	4,776	5,926	5,337	5,102
Health and human services.....	1,913,377	1,730,965	1,800,212	1,559,638	1,134,144	1,597,599	1,658,657	1,641,534	1,726,322	1,819,309
Economic development.....	16,373	12,277	11,379	15,553	12,317	11,812	8,205	13,910	6,373	6,695
Transportation.....	949,533	952,866	945,536	944,486	910,721	976,705	970,026	972,417	1,036,790	1,210,668
Recreation and cultural enrichment.....	166,750	162,168	162,013	312,287	416,053	181,373	245,405	304,903	338,954	274,966
Operating grants and contributions.....	16,532,924	17,229,000	17,936,693	20,370,216	25,620,597	26,071,112	22,816,711	22,792,032	22,859,945	24,083,463
Capital grants and contributions.....	55,761	23,495	4,610	47,320	57,628	221,195	67,866	91,603	42,261	32,186
Total program revenues.....	21,720,128	21,578,110	22,236,055	24,423,465	29,717,130	30,361,777	27,351,158	27,566,203	27,621,271	29,757,938
Total governmental activities net program revenues/(expenses).....	(26,334,917)	(27,422,284)	(29,335,793)	(30,087,968)	(28,245,130)	(29,324,310)	(31,418,539)	(31,159,909)	(33,281,230)	(34,259,195)
General revenues and other changes in net position:										
General revenues:										
Taxes:										
Personal income.....	9,093,338	9,951,585	10,438,976	9,553,538	9,414,864	9,771,269	10,022,285	10,798,328	10,817,073	11,678,106
Sales and use.....	8,381,262	8,629,815	8,779,768	8,417,292	8,309,905	8,610,603	8,977,379	9,106,779	9,293,356	9,872,467
Corporation.....	5,074,730	4,985,031	5,157,589	4,209,705	4,146,477	4,469,094	4,504,105	4,781,555	4,314,093	5,195,882
Liquid fuels and motor carriers.....	2,033,227	2,072,442	2,024,045	1,975,678	2,045,505	2,092,645	2,096,222	2,058,226	2,349,982	3,017,991
Gaming (2).....	N/A	251,059	769,064	999,247	1,232,829	1,409,388	1,487,729	1,447,796	1,404,277	1,404,195
Inheritance.....	793,279	716,788	802,865	733,405	698,980	783,824	803,573	796,007	850,221	976,286
Cigarette.....	1,033,099	983,580	1,026,125	1,000,987	1,088,405	1,104,355	1,081,587	1,038,605	968,436	954,930
Realty transfer.....	646,870	583,991	500,786	348,003	346,094	328,997	343,015	396,552	439,797	485,275
Other.....	418,110	475,197	592,744	492,420	1,035,935	1,167,804	1,306,395	1,353,566	1,499,745	1,459,063
Total taxes.....	27,473,915	28,649,488	30,091,962	27,730,275	28,318,994	29,737,979	30,622,290	31,777,414	31,936,980	35,044,195
Investment income.....	188,750	320,342	128,722	(137,831)	15,099	52,129	14,979	12,876	36,311	16,072
Total general revenues.....	27,662,665	28,969,830	30,220,684	27,592,444	28,334,093	29,790,108	30,637,269	31,790,290	31,973,291	35,060,267
Transfers from business-type activities.....	465,000	257,343	296,931	430,398	218,721	239,925	210,438	17,275	(103,151)	127,071
Net general revenues and transfers.....	28,127,665	29,227,173	30,517,615	28,022,842	28,552,814	30,030,033	30,847,707	31,807,565	31,870,140	35,187,338
Total governmental activities change in net position.....	\$ 1,792,748	\$ 1,804,889	\$ 1,181,822	\$ (2,065,126)	\$ 307,684	\$ 705,723	\$ (570,832)	\$ 647,656	\$ (1,411,090)	\$ 928,143

Commonwealth of Pennsylvania

Financial Trends

Table 2
Changes in Net Position
For the Last Ten Fiscal Years Ended June 30

(Accrual basis of accounting—amounts in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014 (4)	2015 (5)
BUSINESS-TYPE ACTIVITIES (1)										
Expenses										
State lottery.....	\$ 2,704,265	\$ 3,100,523	\$ 3,157,593	\$ 3,173,322	\$ 3,079,381	\$ 3,155,903	\$ 3,429,773	\$ 3,732,233	\$ 3,720,574	\$ 4,078,746
State workers' insurance.....	412,104	553,512	616,256	388,424	338,229	306,318	268,388	365,900	267,991	312,856
Tuition payment.....	138,275	267,941	224,791	100,028	235,876	259,069	236,342	248,592	277,139	226,330
Unemployment compensation (3).....	1,998,613	2,074,382	2,289,977	6,250,213	8,741,990	7,460,707	6,031,968	4,498,001	3,189,395	2,235,297
Commonwealth Financing Authority (1).....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	261,428	189,682	162,358
Liquor control.....	1,178,434	1,277,871	1,318,503	1,437,168	1,478,971	1,504,517	1,569,868	1,618,065	1,683,185	1,800,698
Economic development and other (1).....	18,433	14,470	3,148	14,171	13,706	23,635	16,997	41,199	47,212	57,287
Total expenses.....	6,450,124	7,288,699	7,610,268	11,363,326	13,888,153	12,710,149	11,553,336	10,765,418	9,375,178	8,873,572
Program revenues										
Charges for sales and services:										
State lottery.....	3,047,978	3,076,013	3,100,962	3,088,231	3,052,097	3,206,933	3,476,953	3,671,780	3,786,090	3,810,017
State workers' insurance.....	427,970	374,088	384,301	291,677	223,458	173,571	157,579	178,058	207,208	225,660
Tuition payment.....	113,831	151,121	138,361	153,892	157,336	165,157	185,947	182,555	191,766	191,915
Unemployment compensation (3).....	2,373,163	2,172,900	2,061,780	2,423,125	2,328,099	2,579,252	3,447,659	3,031,318	2,900,976	3,073,915
Commonwealth Financing Authority (1).....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10,172	8,463	11,083
Liquor control.....	1,272,101	1,364,524	1,428,638	1,507,512	1,527,998	1,586,394	1,673,027	1,747,060	1,803,367	1,880,256
Economic development and other (1).....	17,585	20,068	20,149	19,067	22,254	24,449	17,478	25,816	25,305	36,170
Operating grants and contributions.....	414,887	619,319	350,892	1,760,824	4,970,529	4,858,476	3,211,902	2,166,475	1,048,220	416,322
Capital grants and contributions.....	-	-	-	-	-	-	-	1,128	270	232
Total program revenues.....	7,667,515	7,778,033	7,485,083	9,244,328	12,281,771	12,594,232	12,170,545	11,014,362	9,971,665	9,645,570
Total business-type activities net program revenues/(expenses).....	1,217,391	489,334	(125,185)	(2,118,998)	(1,606,382)	(115,917)	617,209	248,944	596,487	771,998
Other changes in net position										
Special item-loss on transfer of operations (6).....	-	-	-	-	-	-	-	-	-	(157,930)
Transfers to governmental activities.....	(465,000)	(257,343)	(296,931)	(430,398)	(218,721)	(239,925)	(210,438)	(17,275)	103,151	(127,071)
Net special items and transfers.....	(465,000)	(257,343)	(296,931)	(430,398)	(218,721)	(239,925)	(210,438)	(17,275)	103,151	(285,001)
Total business-type activities change in net position.....	752,391	231,991	(422,116)	(2,549,396)	(1,825,103)	(355,842)	406,771	231,669	699,638	486,997
Total primary government change in net position.....	\$ 2,545,139	\$ 2,036,880	\$ 759,706	\$ (4,614,522)	\$ (1,517,419)	\$ 349,881	\$ (164,061)	\$ 879,325	\$ (711,452)	\$ 1,415,140

Source: Statement of Activities, as presented in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the applicable fiscal year.

Notes:

- (1)-Beginning with the 2013 fiscal year, the Commonwealth implemented two new GASB standards which affected this table. With the implementation of GASB 61, two component units (Commonwealth Financing Authority and Philadelphia Regional Port Authority), previously reported as discretely presented component units, are reported as blended component units and are classified as proprietary fund types. The Commonwealth Financing Authority is reported as a major enterprise fund, and is reported under the Commonwealth Financing Authority caption. The Philadelphia Regional Port Authority is reported as a nonmajor enterprise fund, and is reported within the "Economic development and other" caption. In addition, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within the Governmental Activities caption. The implementation of GASB 63 resulted in the Commonwealth reporting a Statement of Net Position for the 2013 fiscal year, replacing the Statement of Net Assets which had been reported in previous fiscal years. For purposes of this table, the implementation of GASB 63 had no effect other than changing the reference to changes in net position rather than changes in net assets. These two standards were not retroactively applied to the previous fiscal years. For ease of reading this table, change in net position is interchanged with change in net assets which were in effect for fiscal years 2006-2012.
- (2)-During the 2007 fiscal year, the first licensed gaming facilities opened and the resulting taxes from their activities were reported in the Gaming Fund, a special revenue fund.
- (3)-In the Unemployment Compensation Fund, the June 30, 2010 fiscal year amounts for expenses and program revenues were reduced by \$3,008,615 in order to present a reclassification made in the June 30, 2011 fiscal year. The June 30, 2010 CAFR was not restated to reflect these amounts.
- (4)-Beginning with the 2014 fiscal year, the Commonwealth implemented GASB Statement 65. As noted in Table 1, the Commonwealth restated its net position for July 1, 2013. Note B in the Notes to the Financial Statements in the June 30, 2014 CAFR provides additional details on this restatement. The primary effect on this table is that beginning with the 2014 fiscal year, certain assets are now reported as expenses. The changes were not made retroactively.
- (5)-Beginning with the 2015 fiscal year, the Commonwealth implemented GASB Statements 68 and 71. As noted in Table 1, the Commonwealth restated its net position for July 1, 2014. Details on the restatement can be found in Note B to the Financial Statements. 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.
- (6)-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.

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)

	2006	2007	2008 (6)	2009 (6)	2010	2011	2012 (7)	2013 (7)	2014	2015
GENERAL FUND (1)(2)(3)(4)(8)										
Reserved for:										
Encumbrances.....	\$ 709,115	\$ 570,027	\$ 568,678	\$ 785,864	\$ 806,181	N/A	N/A	N/A	N/A	N/A
Advances.....	114,108	114,108	114,108	139,108	139,108	N/A	N/A	N/A	N/A	N/A
Loans receivable.....	10,953	11,113	8,358	9,924	9,989	N/A	N/A	N/A	N/A	N/A
Budget Stabilization Reserve.....	171,362	538,764	745,949	745,949	-	N/A	N/A	N/A	N/A	N/A
Other.....	454,639	844,229	1,148,218	1,375,432	764,206	N/A	N/A	N/A	N/A	N/A
Unreserved:										
Designated for:										
Other.....	719,414	923,966	379,169	-	-	N/A	N/A	N/A	N/A	N/A
Undesignated.....	789,958	368,659	9,621	(2,541,099)	(1,434,681)	N/A	N/A	N/A	N/A	N/A
Nonspendable.....	N/A	N/A	N/A	N/A	N/A	123,156	240,975	223,930	265,403	247,216
Restricted (5).....	N/A	N/A	N/A	N/A	N/A	756,141	-	76	45	36
Committed.....	N/A	N/A	N/A	N/A	N/A	1,063,613	1,276,671	1,334,872	1,119,470	1,289,298
Assigned.....	N/A	N/A	N/A	N/A	N/A	-	-	7,132	-	-
Unassigned/(deficit) (5).....	N/A	N/A	N/A	N/A	N/A	(321,475)	(258,351)	-	(1,950,956)	(1,262,997)
TOTAL GENERAL FUND.....	2,969,549	3,370,866	2,974,101	515,178	284,803	1,621,435	1,259,295	1,566,010	(566,038)	273,553
ALL OTHER GOVERNMENTAL FUNDS (1)(2)(3)(4)(8)										
Reserved for:										
Encumbrances.....	1,630,382	1,927,151	2,057,615	2,085,395	2,329,299	N/A	N/A	N/A	N/A	N/A
Advances.....	3,000	3,000	3,000	3,000	3,000	N/A	N/A	N/A	N/A	N/A
Loans receivable.....	32,684	39,859	73,628	83,100	79,315	N/A	N/A	N/A	N/A	N/A
Other.....	857,253	1,329,707	940,263	916,713	907,005	N/A	N/A	N/A	N/A	N/A
Unreserved:										
Designated for, reported in:										
Highways.....	203,118	235,730	689,288	700,018	768,710	N/A	N/A	N/A	N/A	N/A
Special Revenue funds.....	4,528	11,268	9,341	8,666	2,218	N/A	N/A	N/A	N/A	N/A
Debt Service funds.....	8,118	20,474	27,458	16,834	46,853	N/A	N/A	N/A	N/A	N/A
Capital Projects funds.....	131,026	65,455	54,631	33,527	32,879	N/A	N/A	N/A	N/A	N/A
Unreserved: Undesignated, reported in:										
Special Revenue funds.....	2,412,047	1,971,829	2,630,277	2,448,383	2,421,257	N/A	N/A	N/A	N/A	N/A
Capital Projects funds (deficit).....	(601,823)	(449,622)	(629,686)	(721,365)	(524,465)	N/A	N/A	N/A	N/A	N/A
Restricted reported in:										
Special Revenue funds.....	N/A	N/A	N/A	N/A	N/A	3,711,994	3,690,354	3,557,116	3,776,739	3,756,605
Committed reported in:										
Special Revenue funds.....	N/A	N/A	N/A	N/A	N/A	426,391	402,207	374,074	373,185	116,314
Debt Service funds.....	N/A	N/A	N/A	N/A	N/A	17,040	48,400	37,041	9,221	11,717
Capital Projects funds.....	N/A	N/A	N/A	N/A	N/A	239,180	509,618	282,094	423,670	1,022,565
Unassigned reported in:										
Special Revenue funds (deficit).....	N/A	N/A	N/A	N/A	N/A	(2,837)	(2,955)	(3,167)	-	(1,936)
Capital Projects funds (deficit).....	N/A	N/A	N/A	N/A	N/A	(20,711)	-	-	-	-
TOTAL ALL OTHER GOVERNMENTAL FUNDS.....	\$ 4,680,333	\$ 5,154,851	\$ 5,855,815	\$ 5,574,271	\$ 6,066,071	\$ 4,371,057	\$ 4,647,624	\$ 4,247,158	\$ 4,582,815	\$ 4,905,265

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)

Source: The Balance Sheet-Governmental Funds statement, as presented in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the applicable fiscal year.

Notes:

- (1)-Beginning with the 2013 fiscal year, the Commonwealth implemented GASB 61, which affected this table. With the implementation of GASB 61, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within the Governmental Fund caption.
- (2)-The Commonwealth implemented GASB Statement 54 for the 2011 fiscal year. To implement GASB Statement 54, it was necessary to reclass 41 Special Revenue funds. 38 of these were reclassified as components of the General Fund, and the remaining three were reclassified as Capital Project funds. This reclassification required the restatement of the General Fund fund balance from the \$284,803 shown in this schedule at the end of the 2010 fiscal year to \$565,223 which was reported at July 1, 2010. Likewise, the fund balance for All Other Governmental Funds was restated from the \$6,066,071 shown at the end of the 2010 fiscal year to \$5,785,651 at July 1, 2010.
- (3)-In addition to the restatement described in note (2), existing categories were changed from Reserved and Unreserved fund balances to Nonspendable and Spendable (Restricted, Committed, Assigned and Unassigned) fund balances. Details of the Commonwealth's implementation of GASB Statement 54, including the restatement described in Note (2), are described in Notes A and B of the Commonwealth's June 30, 2011 CAFR.
- (4)-The changes described in Notes (2) and (3) above were not retroactively applied. Therefore, governmental fund balances through the 2010 fiscal year are reported as reserved and unreserved, with the 38 funds described above included in the fund balances for All Other Governmental Funds, rather than the General Fund.
- (5)-For the 2011 fiscal year, balances in the amount of \$756,141 related to the grant ledgers were reported as restricted. In subsequent fiscal years, those balances were reported as part of the unassigned/(deficit) category.
- (6)-In the June 30, 2009 CAFR, the beginning fund balance for the Motor License fund (a governmental fund type) was restated and increased by \$30,059 as of July 1, 2008. Therefore, the combined ending fund balance (for the General Fund and all other governmental fund types) shown in this table as of June 30, 2008 plus the change in fund balances shown in Table 4 for the June 30, 2009 fiscal year will differ from the combined ending fund balance (for the General Fund and all other governmental fund types) shown in this table as of June 30, 2009. Note B in the Notes to the Financial Statements in the June 30, 2009 CAFR provides additional details on this restatement.
- (7)-As a result of the implementation of GASB 61 described in Note (1) above, the beginning fund balance for the General Fund was restated and decreased by \$6,165 as of July 1, 2012. Therefore, the combined ending fund balance (for the General Fund and all other governmental fund types) shown in this table as of June 30, 2012 plus the change in fund balances shown in Table 4 for the June 30, 2013 fiscal year will differ from the combined ending fund balance (for the General Fund and all other governmental fund types) shown in this table as of June 30, 2013. Note B in the Notes to the Financial Statements in the June 30, 2013 CAFR provides additional details on this restatement.
- (8)-The Cigarette Fire Safety & Firefighter Protection Fund was initially created and reported as a component of the General Fund in the June 30, 2013 CAFR. Based on criteria established by GASB Statement 54, it was determined that this fund should have been classified as a Special Revenue Fund. Therefore, this reclassification required the restatement of the General Fund fund balance from the \$1,566,010 shown in this schedule at the end of the 2013 fiscal year to \$1,565,668 which was reported at July 1, 2013. Likewise, the fund balance for All Other Governmental Funds was restated from the \$4,247,158 shown at the end of the 2013 fiscal year to \$4,247,500 at July 1, 2013. Note B in the Notes to the Financial Statements in the June 30, 2014 CAFR provides additional details on this restatement.

Commonwealth of Pennsylvania

Financial Trends

Table 4

Revenues by Source and Expenditures by Function-All Governmental Fund Types
For the Last Ten Fiscal Years Ended June 30

(Modified accrual basis of accounting-amounts in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013 (1)	2014	2015
REVENUES BY SOURCE										
Taxes, net of refunds.....	\$ 27,117,823	\$ 28,548,280	\$ 29,909,880	\$ 27,773,110	\$ 28,229,235	\$ 30,007,455	\$ 30,775,017	\$ 31,722,661	\$ 31,696,451	\$ 35,049,415
Licenses and fees.....	1,611,868	1,954,788	1,913,154	1,674,804	1,951,683	1,806,751	2,070,914	2,149,402	2,212,222	2,414,048
Intergovernmental.....	16,347,975	16,891,212	17,911,839	20,619,848	25,256,164	26,029,290	22,804,215	22,683,124	22,543,458	24,083,157
Charges for sales and services.....	2,970,585	1,598,564	1,641,937	1,597,751	1,501,109	1,688,449	1,763,586	1,839,507	1,920,911	2,793,311
Investment income.....	425,356	769,820	166,522	(306,524)	344,936	326,021	116,945	155,845	270,607	93,756
Other (2).....	576,180	607,201	752,308	715,425	686,069	632,670	709,810	767,463	486,992	441,176
TOTAL REVENUES	49,049,787	50,369,865	52,295,640	52,074,414	57,969,196	60,490,636	58,240,487	59,318,002	59,130,641	64,874,863
EXPENDITURES BY FUNCTION										
Direction and supportive services.....	2,337,112	1,104,793	1,385,760	1,375,399	1,779,748	1,622,374	1,578,240	1,557,306	1,535,593	1,329,707
Protection of persons and property.....	4,410,969	4,621,119	4,861,363	5,169,377	5,359,792	5,307,198	5,089,854	5,668,261	5,753,876	5,936,010
Health and human services.....	24,103,077	24,293,011	25,141,836	26,549,790	28,340,751	30,435,510	30,662,493	30,371,117	31,773,484	33,920,750
Public education.....	11,731,884	12,439,920	13,076,308	14,019,470	14,492,845	14,836,658	13,363,316	13,858,078	14,108,944	14,414,312
Recreation and cultural enrichment.....	447,264	544,117	557,387	570,177	506,737	463,501	482,065	474,966	484,137	544,326
Economic development.....	1,413,995	1,736,388	1,721,634	1,605,513	1,582,097	1,596,548	1,405,895	1,028,828	1,000,607	970,286
Transportation.....	2,448,165	3,089,544	3,292,279	3,321,647	3,833,745	3,129,306	3,264,969	3,342,421	3,467,088	4,096,439
Capital outlay.....	2,082,644	2,121,632	2,273,290	2,812,788	3,144,349	3,248,174	3,389,801	2,915,982	2,836,086	2,961,404
Debt service:										
Principal retirement.....	492,355	521,773	555,337	598,850	626,090	697,510	711,875	769,390	761,345	762,425
Interest and fiscal charges.....	348,418	361,088	388,722	402,653	406,414	477,751	510,783	531,564	554,574	563,326
TOTAL EXPENDITURES	49,815,883	50,833,385	53,253,916	56,425,664	60,072,568	61,814,530	60,459,291	60,517,913	62,275,734	65,498,985
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....										
	(766,096)	(463,520)	(958,276)	(4,351,250)	(2,103,372)	(1,323,894)	(2,218,804)	(1,199,911)	(3,145,093)	(624,122)
OTHER FINANCING SOURCES/(USES)										
Bonds issued.....	914,000	1,008,104	913,119	1,064,103	1,900,401	650,000	1,600,303	950,300	1,295,000	1,460,000
Refunding bonds issued.....	-	250,557	194,471	155,642	695,945	-	161,272	361,760	289,946	782,425
Premium on bonds/refunding bonds issued.....	54,420	58,166	61,277	88,921	203,601	37,739	259,314	216,416	203,088	318,957
Discount on bonds issued.....	-	(157)	-	-	(2,924)	(4,724)	-	-	-	(1,441)
Transfers in.....	1,408,351	1,463,620	1,614,938	1,693,343	2,251,986	2,344,796	1,777,033	1,914,421	1,956,242	2,242,290
Transfers out.....	(943,351)	(1,188,779)	(1,318,226)	(1,257,945)	(1,888,368)	(2,062,410)	(1,580,564)	(1,888,173)	(2,059,393)	(2,115,219)
Payment to refunded bond escrow agent.....	-	(253,892)	(203,633)	(166,978)	(795,844)	-	(192,390)	(444,364)	(336,896)	(900,849)
Capital lease and installment purchase obligations.....	568	1,736	529	3,638	-	111	108,263	1,965	715	-
TOTAL OTHER FINANCING SOURCES/(USES).....	1,433,988	1,339,355	1,262,475	1,580,724	2,364,797	965,512	2,133,231	1,112,325	1,348,702	1,786,163
NET CHANGE IN FUND BALANCES.....	\$ 667,892	\$ 875,835	\$ 304,199	\$ (2,770,526)	\$ 261,425	\$ (358,382)	\$ (85,573)	\$ (87,586)	\$ (1,796,391)	\$ 1,162,041
Debt Service as a Percentage of Noncapital Expenditures (3).....	1.76%	1.81%	1.85%	1.87%	1.81%	2.01%	2.14%	2.26%	2.21%	2.12%

Source: The Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds statement, as presented in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the applicable fiscal year.

Notes:

(1)-Beginning with the 2013 fiscal year, the Commonwealth implemented GASB 61, which affected this table. With the implementation of GASB 61, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within this table. This change was not retroactively applied to the previous fiscal years.

(2)-Other revenues include immaterial amounts of lease rentals revenues and interest on notes and loans.

(3)-Ratio is calculated as Principal Retirement plus Interest and Fiscal Charges expenditures divided by Total Expenditures less Capital Outlay expenditures. There are no expenditures for capitalized assets contained within the functional expenditure categories.

Commonwealth of Pennsylvania
Revenue Capacity-Personal Income Tax

Table 5
 Personal Income by Industry
 For the Last Ten Calendar Years

(Amounts in millions)	2005	2006	2007	2008	2009	2010	2011	2012	2013
TOTAL PERSONAL INCOME BY INDUSTRY (1)(2)									
Workplace Earnings:									
Farm Earnings	\$ 1,389	\$ 1,108	\$ 1,284	\$ 1,210	\$ 787	\$ 1,181	\$ 1,656	\$ 1,834	\$ 2,259
Nonfarm Earnings:									
Private earnings:									
Forestry, fishing/hunting, agriculture.....	429	477	439	424	413	494	451	527	528
Mining.....	2,178	2,506	2,269	3,332	2,247	3,044	4,434	5,122	5,556
Utilities.....	2,726	2,846	2,929	3,137	2,875	2,959	3,260	3,103	3,188
Construction.....	21,768	23,670	23,321	22,341	20,109	20,253	21,279	22,492	22,906
Manufacturing.....	41,971	43,168	43,219	43,658	39,101	39,605	41,332	42,213	42,163
Wholesale trade.....	16,771	18,039	19,079	19,217	18,187	18,520	19,730	20,174	20,540
Retail trade.....	21,570	22,128	22,315	21,517	21,363	21,864	22,601	23,114	23,366
Transportation and warehousing.....	12,068	12,378	12,835	12,704	12,436	12,710	13,769	14,309	14,683
Broadcasting/publishing/internet technology.....	11,314	11,286	12,247	14,835	14,878	14,978	14,334	15,144	15,660
Finance and insurance.....	22,249	23,677	24,076	23,692	24,165	24,938	25,567	26,673	27,181
Real estate and rental and leasing.....	5,550	5,351	4,496	4,853	4,325	4,811	5,742	6,287	7,408
Professional and technical services.....	28,739	31,072	33,149	36,044	34,639	34,335	36,216	38,033	38,793
Management of companies and enterprises.....	9,491	10,659	13,108	13,037	13,409	13,671	15,383	16,862	17,747
Administrative services.....	10,294	10,884	11,424	11,691	11,017	11,661	12,581	12,865	13,350
Educational services.....	8,895	9,503	9,934	10,569	11,419	11,887	12,372	12,863	13,098
Health care and social assistance.....	40,973	43,821	45,720	48,950	50,909	52,904	54,573	55,889	57,283
Arts, entertainment, and recreation.....	3,272	3,447	3,506	3,578	3,622	3,859	4,222	4,438	4,539
Accommodation and food services.....	8,011	8,296	8,780	8,738	8,524	8,806	9,332	9,982	10,442
Other services, except public administration.....	13,214	13,780	13,499	13,213	13,179	13,382	13,584	14,277	14,604
Total private earnings	281,483	296,988	306,345	315,530	306,817	314,681	330,762	344,367	353,035
Government:									
Federal, civilian.....	8,398	8,645	8,911	9,136	9,479	9,915	9,906	9,775	9,536
Military.....	1,574	1,528	1,493	1,577	1,693	1,676	1,547	1,508	1,457
State government.....	10,581	11,208	11,921	12,179	12,547	12,999	13,094	13,072	13,281
Local government.....	27,779	29,028	30,016	31,275	32,063	33,538	33,239	32,467	33,755
Total government earnings	48,332	50,409	52,341	54,167	55,782	58,128	57,786	56,822	58,029
Total nonfarm earnings	329,815	347,397	358,686	369,697	362,599	372,809	388,548	401,189	411,064
Total workplace earnings	331,204	348,505	359,970	370,907	363,386	373,990	390,204	403,023	413,323
Other earnings/deductions (3)	115,880	129,434	143,641	154,716	153,237	158,827	170,767	181,607	174,973
Total personal income	\$ 447,084	\$ 477,939	\$ 503,611	\$ 525,623	\$ 516,623	\$ 532,817	\$ 560,971	\$ 584,630	\$ 588,296
Total personal income subject to the direct personal income tax rate (4)(5)	\$ 250,921	\$ 266,800	\$ 288,043	\$ 317,393	\$ 314,872	\$ 294,893	\$ 255,040	\$ 263,659	N/A
Direct personal income tax rate	3.07%								

Sources:

Personal income by industry is provided by the Bureau of Economic Analysis, US Department of Commerce (www.bea.gov/index.htm) through estimates released September 2015. Total personal income subject to the direct tax rate was obtained from the Pennsylvania Department of Revenue. The information for the 2012 calendar year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-December 2014 (Fiscal Year 2013-14). The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for December 2014. 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 Comprehensive Annual Financial Report for June 30, 2014. 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 2014. These estimates have subsequently been revised (as provided in the September 2015 release).
- (2)-Personal income by industry is reported under the North American Industry Classification System.
- (3)-Other earnings/deductions include dividends, interest and miscellaneous employee/employer contributions/deductions.
- (4)-Total personal income subject to the direct personal income tax rate consists of taxable compensation, interest, dividends, net profits and other income, prior to the application of various tax credits. This amount is self-assessed by the taxpayer on their tax returns for the tax year. Due to the complexity and length of the tax return filing and review process, the total compilation is not yet available for release by the Pennsylvania Department of Revenue for the 2013 and 2014 tax years.
- (5)-This information is presented by tax year, rather than by calendar year, as the personal income by industry is presented. An individual filer's tax year is defined as that period for which that person must file a tax return. Generally, many filers have the last day of their filing year fall on December 31st; however, for various reasons, other filers have a filing year that falls on a different date (e.g. March 31st). The information presented is based on those returns of the filers whose tax year ended during the the applicable calendar year.

Commonwealth of Pennsylvania
Revenue Capacity-Personal Income Tax

Table 6

Personal Income Tax Filers and Liability by Income Level
 2003 and 2012 Tax Years

2003 Tax Year (1)(2)(3)					2012 Tax Year (1)(2)(3)				
Taxable Income Level	Number of Filers	Percentage of Total (6)	Personal Income Tax Liability(4)	Percentage of Total	Taxable Income Level	Number of Filers	Percentage of Total (6)	Personal Income Tax Liability(4)	Percentage of Total
\$0	77,101	1.37%	\$ -	0.00%	\$0	198,937	3.27%	\$ -	0.00%
\$1-999	428,393	7.59%	1,464	0.03%	\$1-999	425,817	7.01%	1,530	0.02%
\$1,000-2,999	434,731	7.70%	13,128	0.24%	\$1,000-2,999	374,074	6.16%	13,316	0.16%
\$3,000-4,999	322,067	5.70%	23,713	0.44%	\$3,000-4,999	286,460	4.72%	24,262	0.30%
\$5,000-6,999	255,931	4.53%	30,122	0.56%	\$5,000-6,999	241,033	3.97%	32,276	0.40%
\$7,000-8,999	209,817	3.72%	34,194	0.63%	\$7,000-8,999	204,209	3.36%	37,941	0.47%
\$9,000-10,999	182,753	3.24%	38,717	0.72%	\$9,000-10,999	187,188	3.08%	43,589	0.54%
\$11,000-12,999	166,412	2.95%	43,436	0.80%	\$11,000-12,999	170,415	2.81%	49,323	0.61%
\$13,000-14,999	154,418	2.74%	48,917	0.90%	\$13,000-14,999	160,209	2.64%	54,960	0.68%
\$15,000-16,999	150,622	2.67%	56,058	1.04%	\$15,000-16,999	149,974	2.47%	60,115	0.74%
\$17,000-18,999	145,360	2.57%	62,294	1.15%	\$17,000-18,999	139,704	2.30%	64,377	0.80%
\$19,000-21,999	213,523	3.78%	106,337	1.96%	\$19,000-21,999	199,523	3.28%	107,370	1.33%
\$22,000-24,999	202,539	3.59%	117,946	2.18%	\$22,000-24,999	191,512	3.15%	120,448	1.49%
\$25,000-29,999	308,944	5.47%	212,867	3.93%	\$25,000-29,999	297,902	4.90%	223,101	2.76%
\$30,000-34,999	272,333	4.82%	224,092	4.14%	\$30,000-34,999	269,191	4.43%	240,710	2.97%
\$35,000-39,999	237,356	4.20%	226,821	4.19%	\$35,000-39,999	239,231	3.94%	248,828	3.07%
\$40,000-49,999	396,318	7.02%	455,416	8.42%	\$40,000-49,999	399,750	6.58%	499,492	6.17%
\$50,000-74,999	676,010	11.97%	1,068,467	19.74%	\$50,000-74,999	701,286	11.54%	1,209,078	14.94%
\$75,000-99,999	355,904	6.30%	784,706	14.50%	\$75,000-99,999	437,887	7.21%	1,061,696	13.12%
\$100,000-149,999	268,179	4.75%	791,521	14.63%	\$100,000-149,999	426,609	7.02%	1,419,508	17.54%
\$150,000 or more	187,102	3.31%	1,071,523	19.80%	\$150,000-249,999	230,863	3.80%	1,107,707	13.68%
				(5)	\$250,000 or more	142,817	2.35%	1,474,693	18.22%
Total (6)	<u>5,645,813</u>	100.00%	<u>\$ 5,411,736</u>	100.00%	Total	<u>6,074,591</u>	100.00%	<u>\$ 8,094,320</u>	100.00%

Sources:

For the 2003 tax year, all of the information was provided directly by the Pennsylvania Department of Revenue. For the 2012 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-October 2014 (Fiscal Year 2013-14). The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for December 2014. 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 can not disclose the names of the ten largest personal income tax filers. Therefore, this schedule is presented as an alternative comparison regarding the sources of the Commonwealth's personal income tax revenue.
- (2)-An individual filer's tax year is defined as that period for which that person must file a tax return. Generally, many filers have the last day of their filing year fall on December 31st; however, for various reasons, other filers have a filing year that falls on a different date (e.g. March 31st). This table presents information based on all filers whose tax year ended during the 2003 or 2012 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 2013 and 2014 tax years. This compilation is used in the calculation of the estimated personal income tax liability. Therefore, the 2003 and 2012 tax years are presented as an alternative comparison.
- (4)-The estimated total personal income tax liability is calculated by multiplying the total personal income (as self-assessed by the individual tax filer) for the income level by the tax rate applicable during the tax year. The estimated liability is presented before any applicable tax credits were applied. For the 2003 tax year, the direct tax rate in effect was 2.80% for all income levels. 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 2009 tax year, the caption "\$150,000 or more" has been split into two captions: "\$150,000-249,999" and "\$250,000 or more". The amounts for the 2003 tax year are reported within the original caption; whereas the amounts reported in the 2012 tax year are reported within the two 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)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014(3)
Estimated Taxable Sales by Industry (1)(2)										
Manufacturing.....	\$ 6,858,033	\$ 7,107,483	\$ 7,083,150	\$ 7,199,717	\$ 6,952,853	\$ 6,310,433	\$ 7,182,245	\$ 7,426,068	\$ 7,391,732	\$ 7,555,033
Public utilities.....	4,473,817	4,667,117	4,816,533	4,763,633	4,832,233	4,750,250	5,002,202	4,680,907	4,492,653	4,761,067
Wholesale trade.....	9,112,350	11,407,750	12,320,033	12,239,917	10,215,170	10,492,100	11,590,333	12,419,575	12,316,835	12,792,633
Building materials.....	8,719,850	9,607,267	9,263,467	8,908,483	8,422,183	8,140,533	8,714,365	8,878,250	9,039,222	9,158,683
General merchandise.....	18,243,083	18,766,300	19,275,267	18,959,267	19,171,045	18,601,350	19,740,610	19,354,965	19,879,167	19,969,650
Food and beverage stores.....	5,764,533	5,859,017	6,090,033	6,023,083	6,197,422	6,416,383	6,437,433	6,440,322	6,580,377	6,575,817
Automotive dealers.....	3,691,150	3,761,500	3,865,533	3,834,950	3,709,158	3,753,567	3,997,238	4,157,458	4,122,673	4,367,833
Furniture and appliances.....	6,338,250	6,148,383	6,334,000	6,018,133	5,572,460	4,931,917	5,336,590	5,376,648	5,285,463	5,176,483
Other retail stores.....	5,376,183	5,529,683	5,802,417	5,764,733	5,598,740	5,580,450	6,095,245	6,408,673	6,447,917	6,414,917
Agriculture and mining.....	644,983	717,950	726,367	666,967	685,577	773,133	838,863	930,587	934,048	906,617
Construction.....	2,742,150	3,010,383	3,077,033	3,050,933	2,880,480	2,595,217	2,953,357	3,203,795	3,175,267	3,270,033
Service.....	37,378,583	39,336,950	41,230,817	41,914,783	40,875,482	40,899,250	43,579,387	43,694,423	45,039,627	46,338,883
Transportation, delivery, and warehousing..	330,783	420,617	363,450	374,133	356,542	365,150	371,315	420,053	472,217	490,583
Government.....	296,717	294,600	289,767	211,100	285,217	383,150	411,452	362,387	305,027	342,117
Unclassified.....	1,472,017	1,442,950	1,532,250	1,627,583	2,036,060	1,363,333	1,254,633	1,042,267	1,132,720	1,194,517
Motor vehicle.....	20,506,470	19,484,594	19,481,964	18,346,914	15,992,425	16,595,200	17,714,378	19,343,573	19,459,690	20,626,333
Liquor sales.....	1,383,587	1,341,449	1,627,333	1,704,846	1,808,735	1,868,083	1,950,641	2,064,488	2,153,927	2,219,167
Total sales tax estimated base (4).....	\$ 133,332,540	\$ 138,903,993	\$ 143,179,414	\$ 141,609,177	\$ 135,591,782	\$ 133,819,500	\$ 143,170,287	\$ 146,204,439	\$ 148,228,560	\$ 152,160,367
Total direct sales tax rate.....	6.0%									

Sources:

Sales tax remittances by industry and total direct sales tax rate (both used in the calculation of estimated taxable sales by industry) are provided by the Pennsylvania Department of Revenue. Sales tax remittances by industry for the 2014 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-December 2014 (Fiscal Year 2013-14). The total direct sales tax rate was obtained from the Pennsylvania Tax Compendium for December 2014. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.pa.gov.

Notes:

- (1)-Estimated taxable sales are calculated based on sales tax remittances (made by vendors with their tax returns processed during the fiscal year) divided by the direct sales tax rate of 6%.
- (2)-Estimated taxable sales are organized by major industrial activity of the vendor and do not represent sales by product type. These are presented based on the North American Industry Classification System.
- (3)-Due to the complexity and length of the tax return filing and review process, the total compilation of sales tax remittances was not yet available for release by the Pennsylvania Department of Revenue for the 2015 fiscal year. Therefore, fiscal years 2005 through 2014 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 Remittances by Major Industry Classification
 Fiscal Years Ended June 30, 2005 and June 30, 2014

(Amounts in thousands)

June 30, 2005 (1)(2)			June 30, 2014 (1)(2)		
Industry (4)	Sales(3) Tax Remittances Liability	Percentage of Total	Industry (4)	Sales(3) Tax Remittances Liability	Percentage of Total
Manufacturing.....	\$ 411,482	5.14%	Manufacturing.....	\$ 453,302	4.97%
Public utilities.....	268,429	3.36%	Public utilities.....	285,664	3.13%
Wholesale trade.....	546,741	6.83%	Wholesale trade.....	767,558	8.41%
Building materials.....	523,191	6.54%	Building materials.....	549,521	6.02%
General merchandise.....	1,094,585	13.68%	General merchandise.....	1,198,179	13.12%
Food and beverage stores.....	345,872	4.32%	Food and beverage stores.....	394,549	4.32%
Automotive dealers.....	221,469	2.77%	Automotive dealers.....	262,070	2.87%
Furniture and appliances.....	380,295	4.75%	Furniture and appliances.....	310,589	3.40%
Other retail stores.....	322,571	4.03%	Other retail stores.....	384,895	4.22%
Agriculture and mining.....	38,699	0.48%	Agriculture and mining.....	54,397	0.60%
Construction.....	164,529	2.06%	Construction.....	196,202	2.15%
Service.....	2,242,715	28.03%	Service.....	2,780,333	30.45%
Transportation, delivery, and warehousing.....	19,847	0.25%	Transportation, delivery, and warehousing.....	29,435	0.32%
Government.....	17,803	0.22%	Government.....	20,527	0.22%
Unclassified.....	88,321	1.10%	Unclassified.....	71,671	0.79%
Motor vehicle.....	1,230,388	15.38%	Motor vehicle.....	1,237,580	13.56%
Liquor sales.....	83,015	1.04%	Liquor sales.....	133,150	1.46%
Total (5).....	<u>\$ 7,999,952</u>	100.00%	Total (5).....	<u>\$ 9,129,622</u>	100.00%
Sales Tax Licenses (6).....	246,212		Sales Tax Licenses (6).....	232,969	

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 2014 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-December 2014 (Fiscal Year 2013-14). 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 can not 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 2015 fiscal year. Therefore, fiscal years 2005 and 2014 are presented as an alternative comparison.
- (3)-Sales tax liability is based on sales tax remittances made with tax returns processed during the fiscal year. The direct sales tax rate applicable to both years is 6%.
- (4)-Sales tax remittances are organized by major industrial activity of the vendor and does not represent sales by product type. Both years are presented using the North American Industry Classification System (N.A.I.C.S.) Group.
- (5)-Totals may not foot due to rounding.
- (6)-The Commonwealth does not maintain a list of sales tax filers by the N.A.I.C.S. standard industry grouping, and as noted in Note (1), can not 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

	2003	2004	2005	2006	2007	2008	2009	2010 (6)	2011 (6)	2012 (6)
ESTIMATED CORPORATE NET INCOME TAXABLE BASE (1)(2)										
Corporate Tax Report Compilation (amounts in thousands).....	\$ 13,446,684	\$ 17,648,755	\$ 20,312,660	\$ 23,247,419	\$ 20,787,641	\$ 19,652,968	\$ 17,631,632	\$ 19,219,761	\$ 17,900,082	\$ 21,045,933
NUMBER OF FILERS BY CORPORATE NET INCOME TAX LIABILITY RANGE (3)										
\$0.....	97,391	95,306	94,827	94,119	97,811	79,113	77,698	72,996	76,386	77,143
\$1-300.....	10,625	10,096	9,830	8,668	8,152	7,492	6,978	7,133	6,866	5,606
\$301-500.....	2,694	2,660	2,662	2,319	2,235	2,035	1,925	1,980	1,916	1,614
\$501-1,000.....	4,279	4,119	3,981	3,417	3,375	3,119	2,868	2,950	2,934	2,566
\$1,001-5,000.....	10,173	10,355	10,277	8,577	8,367	7,742	7,051	7,202	6,918	6,650
\$5,001-10,000.....	3,301	3,596	3,600	3,334	3,168	2,803	2,490	2,566	2,669	2,554
\$10,001-25,000.....	2,695	2,863	3,022	2,884	2,894	2,594	2,338	2,440	2,421	2,493
\$25,001-50,000.....	1,384	1,489	1,550	1,582	1,519	1,424	1,291	1,429	1,381	1,425
\$50,001-100,000.....	943	1,086	1,208	1,244	1,190	1,157	1,020	1,082	1,131	1,137
\$100,001-250,000.....	797	954	1,005	1,082	1,050	992	865	956	1,066	1,144
\$250,001-500,000.....	395	443	475	520	499	471	448	448	434	497
\$500,001-1,000,000.....	177	264	294	344	311	278	279	297	303	323
>\$1,000,000.....	220	262	307	341	326	304	267	289	269	356
Total corporate net income tax filers (4)(5).....	135,074	133,493	133,038	128,431	130,897	109,524	105,518	101,768	104,694	103,508
Total direct corporate net income tax rate.....	9.99%									

Sources:
 Information provided by the Pennsylvania Department of Revenue. The number of filers by corporate net income tax liability range for the 2010-2012 tax years can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-October 2014 (Fiscal Year 2013-14). The direct corporate net income tax rate was obtained from the Pennsylvania Tax Compendium for December 2014. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.pa.gov.

Notes:
 (1)-Pennsylvania is one of only a few states that levy a tax on corporate net income (corporate net income tax - CNIT) as well as capital stock (capital stock/foreign franchise tax - CSFT). The capital stock tax is being phased out so that the last year for which a tax will apply will be the 2015 tax year. This table presents the positive corporate net income tax base, as well as the number of filers associated with this tax by liability range. It also presents the statutory corporate net income tax rate.
 (2)-The CNIT is based on separate company Federal taxable income and includes a number of additions to/subtractions from that base. This table shows the compilation of all reported taxable income (Federal income adjusted to the PA base and then apportioned). Many corporations report negative federal taxable income. In addition, the net operating loss deductions that Pennsylvania allows reduce otherwise profitable corporations' incomes below \$0.
 (3)-Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth can not 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 2013 and 2014 tax years. Therefore, tax years 2003 through 2012 are presented as an alternative comparison.
 (5)-The corporate filer's tax year is defined as that period for which it must file a tax return. Though some filers have the last day of their filing year fall on December 31st, many filers have a filing year that falls on a different date (e.g. March 31st). This table presents information based on all filers whose tax year began during the associated calendar years.
 (6)-For tax years 2003 through 2010, the amounts presented are actual. The amounts presented for the 2010 tax year may differ from the amounts presented in the same table in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the June 30, 2014 fiscal year, since that amount was an estimate. For the 2011 tax year, the amounts presented are a revised estimate from what was presented in the June 30, 2014 CAFR. And for the 2012 tax year, the amounts presented are an estimate.

Commonwealth of Pennsylvania
Revenue Capacity-Corporate Tax

Table 10
 Capital Stock/Foreign Franchise Tax
 For the Last Ten Tax Years

	2003	2004	2005	2006	2007	2008	2009	2010 (6)	2011 (6)	2012 (6)
CAPITAL STOCK AND FRANCHISE TAXABLE BASE (1)(2)										
Apportioned Capital Stock Value Compilation (expressed in thousands).....	\$ 147,450,000	\$ 157,310,000	\$ 167,566,590	\$ 189,755,093	\$ 207,628,892	\$ 230,292,556	\$ 248,089,965	\$ 261,854,671	\$ 270,065,744	\$ 287,788,360
NUMBER OF FILERS BY CAPITAL STOCK/ FOREIGN FRANCHISE TAX LIABILITY RANGE (3)										
\$0-300.....	237,922	250,253	262,888	278,843	301,231	309,482	316,168	323,099	332,784	348,806
\$301-500.....	7,482	7,973	8,853	10,198	10,497	11,397	11,431	11,377	11,840	11,717
\$501-1,000.....	12,911	13,730	14,778	15,754	15,688	15,935	16,168	15,796	16,211	14,981
\$1,001-5,000.....	29,532	30,487	30,883	30,246	28,604	25,974	25,903	26,594	27,837	22,028
\$5,001-10,000.....	7,440	7,519	7,435	7,293	6,617	5,694	5,786	6,006	6,141	4,672
\$10,001-25,000.....	5,603	5,876	5,708	5,401	5,015	4,165	4,218	4,389	4,699	3,331
\$25,001-50,000.....	2,244	2,402	2,284	2,196	2,020	1,691	1,714	1,768	1,913	1,301
\$50,001-100,000.....	1,205	1,305	1,264	1,213	1,113	887	951	1,040	1,091	721
\$100,001-250,000.....	793	838	816	769	675	515	552	605	654	409
\$250,001-500,000.....	263	312	282	278	225	176	195	190	206	145
\$500,001-1,000,000.....	147	144	142	126	113	81	87	104	115	68
>\$1,000,000.....	98	106	101	93	81	73	83	81	88	49
Total capital stock and franchise tax filers (4)(5).....	305,640	320,945	335,434	352,410	371,879	376,070	383,256	391,049	403,579	408,228
Total direct capital stock and franchise tax rate.....	7.24 mills	6.99 mills	5.99 mills	4.89 mills	3.89 mills	2.89 mills	2.89 mills	2.89 mills	2.89 mills	1.89 mills

Sources:
 Information provided by the Pennsylvania Department of Revenue. The number of filers by capital stock/foreign franchise tax liability range for the 2010-2012 tax years can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-October 2014 (Fiscal Year 2013-14). The direct capital stock/foreign franchise tax rate was obtained from the Pennsylvania Tax Compendium for December 2014. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.pa.gov.

Notes:
 (1)-Pennsylvania is one of only a few states that levy a tax on corporate net income (corporate net income tax - CNIT) as well as capital stock (capital stock/foreign franchise tax - CSFT). The capital stock tax is being phased out so that the last year for which a tax will apply will be the 2015 tax year. This table presents the capital stock/foreign franchise apportioned tax base, as well as the number of filers associated with this tax by filing class. It also presents the statutory capital stock/foreign franchise tax rate.
 (2)-The CSFT is based on a fixed formula involving net worth and average book income. This schedule shows the compilation of all reported taxable capital stock value, as reported by corporate taxpayers required to file a tax return with the Commonwealth.
 (3)-Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth can not disclose the names of the ten largest capital stock/foreign franchise tax filers. Therefore, the schedule of the number of filers by capital stock/foreign franchise tax liability range is presented as an alternative comparison regarding the sources of the Commonwealth's capital stock/foreign franchise tax revenue.
 (4)-Due to the complexity and length of the tax return filing and review process, the total compilation of all reported taxable capital stock value subject to the statutory capital stock/foreign franchise tax rate was not yet available for release by the Pennsylvania Department of Revenue for the 2013 and 2014 tax years. Therefore, tax years 2003 through 2012 are presented as an alternative comparison.
 (5)-The corporate filer's tax year is defined as that period for which it must file a tax return. Though some filers have the last day of their filing year fall on December 31st, many filers have a filing year that falls on a different date (e.g. March 31st). This table presents information based on all filers whose tax year began during the the associated calendar years.
 (6)-For tax years 2003 through 2010, the amounts presented are actual. The amounts presented for the 2010 tax year may differ from the amounts presented in the same table in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the June 30, 2014 fiscal year, since that amount was an estimate. For the 2011 tax year, the amounts presented are revised estimates from the amounts presented in the June 30, 2014 CAFR. And for the 2012 tax year, the amounts presented are an estimate.

Commonwealth of Pennsylvania

Debt Capacity

Table 11
Outstanding Debt and Outstanding Debt Ratios
For the Last Ten Fiscal Years Ended June 30
(Expressed in Thousands, Except Debt per Capita)

PRIMARY GOVERNMENT (1)(2)(3)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
General obligation bonds.....	\$ 7,657,674	\$ 8,245,673	\$ 8,632,609	\$ 9,150,362	\$10,498,794	\$10,443,190	\$ 11,538,799	\$ 11,821,622	\$ 12,674,929	\$ 12,976,531
Capital leases/installment purchase obligations.....	42,059	40,649	37,646	36,730	31,958	26,907	129,757	125,020	117,961	110,208
Other financing obligations.....	82,500	76,500	70,500	67,500	67,500	67,500	334,230	324,860	315,620	285,740
Total governmental	7,782,233	8,362,822	8,740,755	9,254,592	10,598,252	10,537,597	12,002,786	12,271,502	13,108,510	13,372,479
Business-type activities:										
Demand revenue bonds payable.....	-	-	-	-	-	-	-	300,000	166,635	9,565
Notes payable.....	-	-	-	-	-	-	-	199	-	-
Revenue bonds payable.....	-	-	-	-	-	-	-	4,635,760	4,381,432	4,182,896
Capital leases/installment purchase obligations.....	28,259	17,375	5,939	-	-	-	-	-	-	-
Total business-type	28,259	17,375	5,939	-	-	-	-	4,935,959	4,548,067	4,192,461
TOTAL PRIMARY GOVERNMENT.....	\$ 7,810,492	\$ 8,380,197	\$ 8,746,694	\$ 9,254,592	\$10,598,252	\$10,537,597	\$ 12,002,786	\$ 17,207,461	\$ 17,656,577	\$ 17,564,940
Debt as a Percentage of Personal Income (4)(5)....	1.75%	1.75%	1.74%	1.76%	2.05%	1.98%	2.14%	2.94%	3.00%	2.88%
Amount of Debt per Capita (4)(5).....	\$ 627	\$ 670	\$ 696	\$ 734	\$ 837	\$ 829	\$ 942	\$ 1,347	\$ 1,381	\$ 1,374

Source: The Commonwealth's Comprehensive Annual Financial Report (CAFR), as presented for the applicable fiscal year. For fiscal years 2006-2012, the information can be found in the Statement of Net Assets. Beginning with the 2013 fiscal year, the information can be found in the Statement of Net Position.

Notes:
 (1)-Beginning with the 2013 fiscal year, the Commonwealth implemented GASB 61, which affected this table. With the implementation of GASB 61, two component units (Commonwealth Financing Authority and Philadelphia Regional Port Authority), previously reported as discretely presented component units, are reported as blended component units and are classified as proprietary fund types. Therefore, their outstanding debt is now reported within the Business-Type Activities caption. In addition, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within the Governmental Activities caption. These changes have not been retroactively applied to prior fiscal years.
 (2)-Each caption includes the reported current and noncurrent amounts of the outstanding debt.
 (3)-Details on the Commonwealth's total outstanding debt for June 30, 2015 can be found in Note K for Governmental Activities and Note F for Business-Type Activities.
 (4)-See Table 15 for summarized totals for personal income and population data that were used in the calculations of these ratios. Personal income detail is presented in Table 5. As detailed in Table 5 or 15 (as appropriate), the personal income and population data have changed in several calendar years from what was presented in those tables in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the June 30, 2014 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, 2014 CAFR.

Commonwealth of Pennsylvania

Debt Capacity

Table 12

Ratios of General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years Ended as of June 30

(Amounts in thousands)

<u>Fiscal Year</u>	<u>(1) General Obligation Bonds</u>	<u>(2) Percentage of Actual Tax Revenues</u>	<u>(3) Per Capita</u>
2006	\$ 7,657,674	27.87%	\$ 614
2007	8,245,673	28.78%	657
2008	8,632,609	28.69%	685
2009	9,150,362	33.00%	724
2010	10,498,794	37.07%	825
2011	10,443,190	35.12%	820
2012	11,538,799	37.68%	902
2013	11,821,622	37.20%	923
2014	12,674,929	39.69%	991
2015	12,976,531	37.03%	1,014

Sources:

Information was obtained from the Commonwealth's Comprehensive Annual Financial Report for the applicable fiscal year. General obligation bonds can be found in the Statement of Net Position, and the tax revenues used in the percentage of actual tax revenues can be found in the Statement of Activities.

Notes:

(1)-General obligation bonds amounts include the reported current and noncurrent amounts.

(2)-The Commonwealth's general obligation bonds are expected to be repaid with general tax revenues. Therefore, the total taxes shown in the Governmental Activities section of the Statement of Activities are used in this calculation.

(3)-General obligation bond amounts used in the per capita calculation are presented as of the fiscal year end. The population data used in the calculation is shown in Table 15, and is as of July 1 of the applicable fiscal year.

Commonwealth of Pennsylvania

Debt Capacity

Table 13

Computation of Legal Debt Margin

As of August 31 for the Last Ten Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Average annual tax revenues deposited in the previous five fiscal years.....	\$ 27,536,515,720	\$ 29,300,406,649	\$ 31,088,316,012	\$ 32,044,066,363	\$ 32,604,981,495	\$ 33,234,462,394	\$ 33,742,407,887	\$ 34,173,780,183	\$ 35,048,322,844	\$ 36,290,613,411
Constitutional factor..... x	1.75 x	1.75 x	1.75 x	1.75 x	1.75 x	1.75 x	1.75 x	1.75 x	1.75 x	1.75
Constitutional debt limit for debt incurred without the approval of the electors (A)...	48,188,902,510	51,275,711,636	54,404,553,021	56,077,116,135	57,058,717,616	58,160,309,190	59,049,213,802	59,804,115,320	61,334,564,977	63,508,573,469
Less outstanding net debt (non-electorate approved).....	6,399,655,454	6,839,080,189	7,068,178,522	7,497,271,800	8,553,447,438	8,520,640,376	9,194,240,832	9,331,058,456	9,960,500,105	10,640,300,242
Legal debt margin (B).....	\$ 41,789,247,056	\$ 44,436,631,447	\$ 47,336,374,499	\$ 48,579,844,335	\$ 48,505,270,178	\$ 49,639,668,814	\$ 49,854,972,970	\$ 50,473,056,864	\$ 51,374,064,872	\$ 52,868,273,227
Total outstanding net debt applicable to the constitutional limit as a percentage of the constitutional limit.....	13.28%	13.34%	12.99%	13.37%	14.99%	14.65%	15.57%	15.60%	16.24%	16.75%

Source: The Governor's Budget Office

Notes:

(A)-The formula for the legal debt limit is contained in Article VIII, Section 7(a) of the Pennsylvania Constitution, which provides:

No debt shall be incurred by or on behalf of the Commonwealth except by law and in accordance with the provisions of this section.

(1) Debt may be incurred without limit to suppress insurrection, rehabilitate areas affected by man-made or natural disaster, or to implement unissued authority by the electors prior to the adoption of this article.

(2) The Governor, State Treasurer and Auditor General, acting jointly, may (i) issue tax anticipation notes having a maturity within the fiscal year of issue and payable exclusively from revenues received in the same fiscal year, and (ii) incur debt for the purpose of refunding other debt, if such refunding debt matures within the term of the original debt.

(3) Debt may be incurred without limit for purposes specifically itemized in the law authorizing such debt, if the question whether the debt shall be incurred has been submitted to the electors and approved by a majority of those voting on the question.

(4) Debt may be incurred without the approval of the electors for capital projects specifically itemized in a capital budget if such debt will not cause the amount of all net debt outstanding to exceed one and three-quarters times the average of the annual tax revenues deposited in the previous five fiscal years as certified by the Auditor General. For the purposes of this subsection, debt outstanding shall not include debt incurred under clauses (1) and (2)(i), or debt incurred under clause (2)(ii) if the original debt would not be so considered, or debt incurred under subsection (3) unless the General Assembly shall so provide in the law authorizing such debt.

(B)-Each of the above figures used in the calculation of the legal debt margin are abstracted from a certification of the Auditor General dated August 31 of the subsequent fiscal year.

Commonwealth of Pennsylvania

Demographic and Economic

Table 14

Employment by Nonfarm Related Industry
For the Last Ten Calendar Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Employment by nonfarm related industry (1)(2)(3):										
Total nonfarm:										
Private earnings:										
Goods producing:										
Natural resources and mining.....	19,700	20,400	21,100	22,200	22,300	26,600	33,800	37,000	36,000	37,400
Construction.....	255,700	261,000	262,300	254,600	224,600	215,900	222,800	225,800	225,600	231,000
Manufacturing.....	679,400	670,400	659,100	643,800	574,100	560,000	565,000	567,200	564,600	567,200
Total goods producing.....	954,800	951,800	942,500	920,600	821,000	802,500	821,600	830,000	826,200	835,600
Service providing:										
Trade.....	1,120,300	1,125,800	1,133,900	1,125,900	1,080,800	1,079,200	1,091,100	1,099,600	1,100,700	1,110,700
Information.....	109,500	108,200	107,500	105,900	99,600	93,300	91,100	90,300	87,800	85,200
Financial Activities.....	335,700	335,000	332,800	329,800	318,400	311,000	308,600	309,500	313,200	315,200
Professional and business services.....	660,500	685,300	705,700	709,400	674,800	689,900	716,800	733,100	748,000	758,600
Education and health services.....	1,024,400	1,048,300	1,068,900	1,094,700	1,112,900	1,127,800	1,144,000	1,156,300	1,163,000	1,180,300
Leisure and hospitality.....	484,800	491,800	499,900	503,300	494,300	500,600	511,200	524,100	532,200	537,700
Other services.....	261,600	258,400	255,800	254,300	249,900	250,300	253,000	254,000	252,200	254,900
Total service providing.....	3,996,800	4,052,800	4,104,500	4,123,300	4,030,700	4,052,100	4,115,800	4,166,900	4,197,100	4,242,600
Total private earnings.....	4,951,600	5,004,600	5,047,000	5,043,900	4,851,700	4,854,600	4,937,400	4,996,900	5,023,300	5,078,200
Government.....	753,600	755,000	754,800	759,700	768,200	770,600	751,400	732,300	720,700	711,900
Total nonfarm.....	5,705,200	5,759,400	5,801,700	5,803,500	5,619,900	5,625,200	5,688,800	5,729,100	5,743,900	5,790,100

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 can not disclose the number employed by the ten largest employers. As an alternative comparison, this schedule presents the number employed by nonfarm related industries. The ten largest employers are nonfarm related; therefore, the number employed by those employers could be expected to fall within this schedule. Farming related employment is not included on this schedule because most farms are not large enough to be required to provide the necessary data to the Pennsylvania Department of Labor and Industry.

(2)-Various calendar years may differ from the totals presented in the same table in the June 30, 2014 CAFR, 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 15

Population and Per Capita Personal Income
For the Last Ten Calendar Years

Calendar Year	Population (1) (Expressed in thousands)			Personal Income (2) (Expressed in thousands)			Per Capita (3) Personal Income			Pennsylvania rate percentage above/(below) U.S.
	Pennsylvania	United States	Pennsylvania as % of U.S.	Pennsylvania	United States	Pennsylvania as % of U.S.	Pennsylvania	United States		
2005	12,450	295,517	4.21%	447,084	10,610,320	4.21%	35,910	35,904	0.02%	
2006	12,511	298,380	4.19%	477,939	11,381,350	4.20%	38,202	38,144	0.15%	
2007	12,564	301,231	4.17%	503,611	11,995,419	4.20%	40,084	39,821	0.66%	
2008	12,612	304,094	4.15%	525,623	12,492,705	4.21%	41,675	41,082	1.44%	
2009	12,667	306,772	4.13%	516,623	12,079,444	4.28%	40,785	39,376	3.58%	
2010	12,711	309,347	4.11%	532,817	12,459,613	4.28%	41,918	40,277	4.07%	
2011	12,744	311,722	4.09%	560,971	13,233,436	4.24%	44,018	42,453	3.69%	
2012	12,770	314,112	4.07%	584,630	13,904,485	4.20%	45,781	44,266	3.42%	
2013	12,781	316,498	4.04%	588,296	14,064,468	4.18%	46,028	44,438	3.58%	
2014	12,787	318,857	4.01%	609,679	14,683,147	4.15%	47,679	46,049	3.54%	

Sources: Population data is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce website at <http://www.bea.gov/index.htm>, whose source is the U.S. Bureau of Census' mid-year population estimate. Personal income details can be found in Table 5.

Notes:

(1)-Population data is presented as of July 1 of the calendar year. The U.S. Bureau of Census' mid-year population estimate include revisions to the annual population estimate back to the calendar year of the most recent Census (2010 calendar year). Therefore, the totals shown may differ from what was presented in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the June 30, 2014 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, 2014 CAFR. 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, 2014 CAFR.

Commonwealth of Pennsylvania

Demographic and Economic

Table 16

Employment Information
For the Last Ten Calendar Years

(Expressed in thousands)

Calendar Year	Pennsylvania (1)				United States				Pennsylvania rate percentage above/(below) U.S.
	Civilian Labor Force	Employed	Unemployed	Unemployment Rate	Civilian Labor Force	Employed	Unemployed	Unemployment Rate	
2005	6,251	5,941	311	5.0%	149,320	141,730	7,591	5.1%	(1.96)%
2006	6,295	6,007	288	4.6%	151,428	144,427	7,001	4.6%	0.00%
2007	6,343	6,064	279	4.4%	153,124	146,047	7,078	4.6%	(4.35)%
2008	6,452	6,110	342	5.3%	154,287	145,362	8,924	5.8%	(8.62)%
2009	6,400	5,885	515	8.0%	154,142	139,877	14,265	9.3%	(13.98)%
2010	6,381	5,841	540	8.5%	153,889	139,064	14,825	9.6%	(11.46)%
2011	6,395	5,888	507	7.9%	153,617	139,869	13,747	8.9%	(11.24)%
2012	6,465	5,957	508	7.9%	154,975	142,469	12,506	8.1%	(2.47)%
2013	6,442	5,964	478	7.4%	155,389	143,929	11,460	7.4%	0.00%
2014	6,378	6,009	370	5.8%	155,922	146,305	9,616	6.2%	(6.45)%

Sources: Information was obtained from the Center for Workforce Information & Analysis, Pennsylvania Department of Labor and Industry website at www.paworkstats.pa.gov.

Notes:

(1)-Various calendar years may differ from the totals presented in the same table in the June 30, 2014 CAFR, as a result of revised data provided on the Center for Workforce Information & Analysis website.

Commonwealth of Pennsylvania

Operating Information

Table 17

Commonwealth Employees by Function and Agency
For the Last Ten Fiscal Years Ended June 30

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Direction and supportive services										
Legislative.....	3,336	3,339	3,346	3,327	3,133	2,959	2,844	2,784	2,749	2,716
Revenue.....	2,377	2,385	2,374	2,254	2,058	1,965	1,934	1,883	1,867	1,902
Executive Offices.....	1,990	1,966	2,012	2,004	1,906	1,767	1,715	1,612	1,554	1,496
General Services.....	1,295	1,305	1,251	1,244	1,145	1,115	1,030	993	950	926
Auditor General.....	740	711	730	708	670	606	598	475	475	472
Treasurer.....	534	565	552	492	420	408	396	386	373	353
Other.....	376	327	327	281	274	270	273	268	256	248
Total direction and supportive services.....	10,648	10,598	10,592	10,310	9,606	9,090	8,790	8,401	8,224	8,113
Protection of persons and property										
Corrections.....	15,301	15,441	15,722	16,139	16,232	15,740	15,751	15,398	15,177	15,197
State Police.....	6,191	6,272	6,249	6,193	5,989	6,015	5,978	5,938	6,139	6,344
Liquor Control Board.....	4,772	4,704	4,835	5,031	5,082	4,847	4,952	5,007	5,086	5,093
Environmental Protection.....	2,890	2,799	2,793	2,786	2,590	2,609	2,648	2,616	2,522	2,491
Judiciary.....	2,140	2,130	2,136	2,141	2,197	2,154	2,176	2,150	2,171	2,160
Transportation.....	1,251	1,253	1,235	1,185	1,125	1,129	1,194	1,191	1,188	1,189
Agriculture.....	1,032	1,056	1,187	1,112	995	962	919	952	914	921
Probation and Parole Board.....	1,008	967	1,084	1,141	1,114	1,105	1,162	1,199	1,217	1,228
Attorney General.....	919	935	985	955	897	814	821	810	836	840
Public Utility Commission.....	529	485	519	535	547	506	508	497	492	475
Military and Veterans Affairs.....	529	517	538	529	478	450	468	467	486	474
Other.....	2,106	2,088	2,085	2,014	1,955	1,850	1,905	1,839	1,824	1,792
Total protection of persons and property.....	38,668	38,647	39,368	39,761	39,201	38,181	38,482	38,064	38,052	38,204
Public education										
Education.....	674	665	693	578	544	503	521	514	499	488
Other.....	18	18	18	16	15	15	-	-	-	-
Total public education.....	692	683	711	594	559	518	521	514	499	488
Health and human services										
Human Services.....	19,655	18,786	19,082	18,399	18,300	17,169	16,995	16,504	16,643	16,829
Labor and Industry.....	4,462	4,277	3,960	4,740	4,887	4,632	4,599	4,140	4,037	3,785
Military and Veterans Affairs.....	2,060	2,095	2,128	1,965	2,033	2,049	2,023	1,924	1,961	1,949
Health.....	1,524	1,465	1,511	1,490	1,384	1,364	1,461	1,331	1,281	1,236
Other.....	112	107	102	98	193	206	220	252	284	301
Total health and human services.....	27,813	26,730	26,783	26,692	26,797	25,420	25,298	24,151	24,206	24,100
Economic development										
Labor and Industry.....	960	927	911	930	934	912	942	919	897	903
Community and Economic Development.....	336	346	349	352	334	311	302	321	313	307
Total economic development.....	1,296	1,273	1,260	1,282	1,268	1,223	1,244	1,240	1,210	1,210
Transportation										
Transportation.....	10,810	10,509	10,770	10,655	10,626	10,486	10,696	10,695	10,609	10,480
Total transportation.....	10,810	10,509	10,770	10,655	10,626	10,486	10,696	10,695	10,609	10,480
Recreation and cultural enrichment										
Conservation and Natural Resources.....	2,639	2,573	2,632	2,493	2,279	2,219	2,335	2,392	2,407	2,425
Game Commission.....	732	734	725	706	734	735	774	769	797	781
Fish and Boat Commission.....	497	514	508	485	486	486	481	448	433	416
Historical and Museum Commission.....	435	419	399	347	228	213	231	214	222	218
Other.....	114	113	111	92	56	50	51	43	41	42
Total recreation and cultural enrichment.....	4,417	4,353	4,375	4,123	3,783	3,703	3,872	3,866	3,900	3,882
Total Commonwealth Employees.....	94,344	92,793	93,859	93,417	91,840	88,621	88,903	86,931	86,700	86,477

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.

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Commonwealth of Pennsylvania

Operating Information

Table 18

Operating Indicators by Function and Agency
For the Last Ten Fiscal Years Ended June 30

	2006	2007	2008	2009	2010	2011	2012	2013	2014(5)	2015(5)
Direction and supportive services:										
Executive Offices										
Council on the Arts										
Attendance at supported events (in thousands)	28,000	30,566	20,700	20,950	15,747	15,800	21,700	15,810	15,820	15,830
Office of Inspector General-Welfare Fraud										
Fraud prevention - investigations.....	22,051	20,582	21,392	25,802	27,645	25,893	25,362	27,916	27,279	27,900
Fraud prevention - ineligibility determinations.....	11,500	10,793	10,762	10,897	12,902	12,420	12,650	14,095	13,473	14,000
Protection of persons and property:										
Corrections										
Inmates (1).....	42,446	44,365	46,028	49,307	51,321	51,638	51,184	51,382	51,118	50,224
Inmates enrolled in academic educational programs (1).....	13,457	14,453	15,017	14,551	13,152	12,064	12,871	11,259	11,050	10,880
Agriculture										
Number of food safety inspection reports available online	N/A	N/A	23,950	44,308	51,632	55,180	61,000	94,500	99,116	100,000
Revenue										
Personal Income Tax:										
Total - electronic.....	2,813,228	3,040,325	3,347,123	3,544,248	3,709,651	3,699,817	4,538,565	4,952,705	4,954,916	5,040,000
Total - paper.....	3,994,634	2,076,124	3,239,502	2,842,447	2,137,790	2,299,575	1,678,647	1,316,542	1,317,130	1,260,000
Total personal income tax returns processed.....	6,807,862	5,116,449	6,586,625	6,386,695	5,847,441	5,999,392	6,217,212	6,269,247	6,272,046	6,300,000
State Police										
Traffic citations issued.....	479,086	506,844	500,820	564,582	567,116	560,063	600,986	566,440	593,721	604,000
Background Checks:										
Firearms checks conducted for the purchase of a firearm.....	512,686	503,013	505,500	681,516	596,879	688,564	849,329	1,202,156	926,157	940,000
Judiciary										
Caseload (cases filed/reopened/appeals) (1).....	3,783,987	3,816,270	3,768,167	3,884,107	3,825,045	3,761,142	3,614,627	3,514,214	3,495,265	3,288,440
Public education:										
Education										
PreK-12 EDUCATION (BASIC EDUCATION):										
Public school enrollment (preK-12).....	1,830,684	1,810,430	1,797,520	1,800,314	1,780,413	1,781,206	1,765,327	1,764,000	1,764,000	1,763,000
HIGHER EDUCATION:										
Full-Time Equivalent Enrollments at State-Supported Institutions of Higher Education:										
State System of Higher Education.....	100,392	102,445	103,356	105,566	109,636	112,030	109,738	107,012	104,458	102,545
Community Colleges.....	88,150	91,161	92,526	98,988	106,270	106,164	103,971	97,981	94,051	93,065
State-Related Universities.....	139,894	144,993	148,272	152,678	156,435	157,939	156,517	160,589	161,442	163,428
Non-State Related Universities and Colleges.....	43,662	48,078	48,607	49,532	888	840	809	806	858	915
Health and human services:										
Aging and Long Term Living										
Comprehensive PACE/PACENET Program:										
Older Pennsylvanians enrolled (average).....	306,138	390,207	313,643	312,916	309,329	307,585	298,137	288,645	275,390	262,865
Total prescriptions per year.....	13,253,256	13,025,489	11,173,934	11,605,980	10,773,967	10,341,180	10,288,430	9,739,080	9,040,508	8,632,895
Health										
Vital events (births, deaths, fetal deaths) registered.....	274,105	275,261	280,928	273,381	268,788	270,194	273,522	272,054	271,697	269,500
Total number of encounters by State Health Care Centers(2).....	375,240	511,736	550,083	555,584	523,874	561,140	440,860	589,167	618,700	165,865
Human Services										
MEDICAL ASSISTANCE										
Persons participating in Medical Assistance (monthly average).....	1,833,760	1,883,235	1,907,396	1,972,559	2,072,461	2,135,477	2,225,011	2,123,710	2,147,889	2,223,795
Persons receiving cash assistance (monthly average).....	278,496	250,687	225,846	221,744	240,650	248,173	248,298	180,235	165,794	166,030
Children participating in subsidized child care (unduplicated).....	200,650	212,112	239,550	234,899	251,347	257,735	220,530	207,571	198,742	204,555
Total persons provided mental health services.....	418,749	517,440	525,991	525,136	530,387	649,375	655,577	720,079	696,834	761,555
Persons receiving Intellectual Disability services during fiscal year.....	45,414	50,139	51,375	53,284	53,399	53,455	53,569	53,613	53,618	54,720
Economic development:										
Community and Economic Development										
Businesses assisted.....	16,215	18,454	15,805	17,852	18,439	21,004	23,804	24,351	22,604	22,019
Persons receiving Customized Job Training.....	N/A	N/A	N/A	N/A	45,376	51,334	39,394	41,776	40,359	52,596
Persons participating in Community Services Block Grant.....	339,564	339,564	348,829	325,322	387,055	444,529	398,558	315,000	325,000	325,000

Commonwealth of Pennsylvania

Operating Information

Table 18

Operating Indicators by Function and Agency
For the Last Ten Fiscal Years Ended June 30

	2006	2007	2008	2009	2010	2011	2012	2013	2014(5)	2015(5)
Labor and Industry										
Total public health and safety inspections performed.....	82,123	80,408	75,223	76,253	76,136	77,142	87,913	81,718	82,800	88,500
Vocational Rehabilitation-Eligible participants with active plans.....	N/A	N/A	N/A	41,316	43,644	48,652	45,471	52,354	52,000	50,000
Transportation:										
Transportation										
Miles of State maintained highways(3).....	39,890	39,843	39,872	39,861	39,845	39,793	39,797	39,792	39,760	40,000
Passengers carried by State-assisted operators (millions annually).....	401	390	427	434	423	432	441	435	427	429
Safety and Emissions inspections.....	17,388,858	17,470,970	17,470,125	17,972,890	17,720,432	17,707,480	17,441,664	17,317,953	17,968,612	18,300,000
Registrations:										
Registrations-Total New and Renewed.....	9,864,461	9,708,974	9,724,462	9,550,413	9,389,974	9,206,015	9,369,992	10,061,588	11,360,052	11,360,000
Licensed drivers-Total New and Renewed.....	2,345,311	2,274,866	2,432,976	2,402,935	2,407,963	2,364,145	2,449,267	2,425,954	2,453,428	2,471,000
Recreation and cultural enrichment:										
Conservation and Natural Resources										
State park attendance (visitor days per calendar year).....	36,295,873	35,800,000	33,200,000	37,000,000	38,400,000	37,600,000	37,600,000	36,400,000	38,000,000	38,050,000
Fish and Boat Commission										
Fishing licenses sold.....	843,302	864,416	905,806	839,172	883,932	810,050	876,233	852,944	859,863	887,000
Game Commission										
Hunting licenses sold.....	964,158	945,892	924,448	926,892	946,497	927,527	931,060	925,000	952,989	963,000
Historical and Museum Commission										
Records maintained by the State Records Center (in thousands) (4).....	753,354	791,553	812,175	811,000	811,000	239,540	239,772	239,002	249,000	249,000
Annual visits to commission historical sites and museums (in thousands)..	1,516	1,420	1,450	1,425	1,425	1,283	1,045	1,060	1,070	1,075

Sources: Governor's Office of the Budget, Comptroller Offices, various agencies

- Notes:
- (1)-Amounts are presented as of December 31.
 - (2)-Beginning with the 2015 Fiscal year, the Commonwealth changed the measurement increment from 15 minute units of work with a client, to the number of clients.
 - (3)-Beginning with the 2015 fiscal year this figure is a rounded estimate.
 - (4)-Beginning with the 2011 fiscal year, this amount was revised to reflect the number of boxes maintained. Previous years reflected the actual number of records.
 - (5)-For the 2015 fiscal year, a majority of the indicators presented are estimates. For the 2014 fiscal year, the amounts that were presented as estimates in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the June 30, 2014 fiscal year have been revised. Therefore, the amounts shown may differ from what was presented in the June 30, 2014 CAFR.

Commonwealth of Pennsylvania

Operating Information

Table 19

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GOVERNMENTAL ACTIVITIES										
Direction and Supportive Services										
Department of General Services										
Number of buildings (1).....	85	85	87	85	119	116	116	116	115	115
Total pieces of machinery and equipment.....	137	139	133	148	394	139	155	134	141	147
Capital and Agency projects in design and/or construction.....	409	440	385	425	638	725	764	799	767	647
Vehicles in fleet.....	16,337	16,384	16,307	16,307	15,808	16,353	15,821	14,704	14,542	14,253
Protection of persons and property										
Department of Corrections										
State Correctional Institutions (2).....	26	26	27	27	27	27	27	26	26	26
State Police										
Patrol vehicles.....	2,316	2,173	2,189	2,189	2,182	2,182	2,182	2,182	2,182	2,182
Police stations and/or troop headquarters (2).....	23	23	23	24	25	25	25	26	26	26
Department of Military and Veterans Affairs										
Number of National Guard readiness centers.....	117	117	117	117	100	100	99	99	85	84
Public education										
State System of Higher Education (SSHE)-Component Unit (3)										
Number of SSHE universities using Commonwealth owned buildings and land.....	14	14	14	14	14	14	14	14	14	14
Health and human services										
Department of Human Services										
Total number of hospital or treatment center complexes (1)(2).....	19	19	19	18	19	17	17	17	17	17
Transportation										
Department of Transportation										
Total pieces of equipment	7,495	7,923	7,316	7,969	7,707	7,722	7,792	8,128	8,242	8,388
Total lane miles of highways (state or locally maintained)(4).....	116,100	116,716	116,998	117,187	117,385	117,499	117,588	117,681	117,760	118,000
Recreational and cultural enrichment										
Department of Conservation and Natural Resources										
Acres of land in state parks and forests (in millions).....	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.5	2.5	2.5
Game Commission										
Acres of game lands (in millions).....	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.50	1.50	1.50
Fish Commission										
Public boat launches.....	178	153	153	271	271	271	271	271	271	271
Total number of fish hatcheries.....	15	15	15	15	15	15	15	15	15	15
Historical and Museum Commission										
Museums and historic sites.....	25	25	25	25	23	23	23	23	23	23
Economic Development										
Department of Labor and Industry										
Square footage of rehabilitation centers owned by the Commonwealth.....	444,035	444,035	444,035	444,035	444,035	444,035	444,035	469,065	469,065	469,065

Sources: Governor's Office of the Budget, Comptroller Offices and various agencies.

Notes:

- (1)-Beginning with the 2006 fiscal year, the control of the Harrisburg State Hospital was transferred from the Department of Human Services (reducing the reported number of hospital complexes) to the Department of General Services (increasing the reported number of buildings). Also, beginning with the 2010 fiscal year this amount includes buildings that were leased to non-Primary Government entities but owned by the Commonwealth. These were not reported in the totals for the other fiscal years.
- (2)-State Correctional Institutions, police station/troop headquarters and hospital/treatment center complexes include nondepreciable capital assets (e.g. land) and depreciable assets (e.g. machinery and equipment, buildings, improvements, etc.).
- (3)-The State System of Higher Education (SSHE) is a discretely presented component unit. However, each of its universities uses land, buildings, and improvements which were purchased by the Commonwealth and are still reported as governmental activities capital assets in the Commonwealth's Statement of Net Position. See Note A in the Notes to the Financial Statements for a detailed description of this relationship.
- (4) Beginning with the 2014 fiscal year, the estimated miles have been rounded to the nearest thousand.