

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 1992



Commonwealth of Pennsylvania
Robert P. Casey, Governor

Prepared By: Office of the Budget

Michael H. Hershock, Secretary

Comptroller Operations

Harvey C. Eckert, Deputy Secretary

**Commonwealth of Pennsylvania
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 1992**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Title Page	i
Table of Contents	ii
Budget Secretary's Letter of Transmittal	v
Deputy Secretary's Letter of Transmittal	ix
Certificate of Achievement	xx
Organization and Officials Chart	xxi
FINANCIAL SECTION	
Independent Auditors' Report	2
General Purpose Financial Statements:	
Combined Balance Sheet—All Fund Types and Account Groups	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances— All Governmental Fund Types and Expendable Trust Funds	8
Combined Statement of Revenues, Expenditures and Changes in Unreserved/Undesignated Fund Balances—Budget and Actual (Budgetary Basis)— General and Budgeted Special Revenue Funds	9
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances—All Proprietary Fund Types and Pension Trust Funds	10
Combined Statement of Cash Flows—All Proprietary Fund Types	11
Combined Statement of Changes in Fund Balances— College and University Funds	12
Combined Statement of Current Funds Revenues, Expenditures and Changes in Fund Balances—College and University Funds	13
Notes to Financial Statements	14
Combining Financial Statements and Schedules:	
Special Revenue Funds	
Special Revenue Funds—Descriptions	59
Combining Balance Sheet—Special Revenue Funds	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances— Special Revenue Funds	61
Combining Statement of Revenues, Expenditures and Changes in Unreserved/Undesignated Fund Balances—Budget and Actual (Budgetary Basis)— Budgeted Special Revenue Funds	62
Debt Service Funds	
Debt Service Funds—Descriptions	67
Combining Balance Sheet—Debt Service Funds	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances— Debt Service Funds	69
Capital Projects Funds	
Capital Projects Funds—Descriptions	73
Combining Balance Sheet—Capital Projects Funds	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances— Capital Projects Funds	75

	<u>Page</u>
Enterprise Funds	
Enterprise Funds—Descriptions	79
Combining Balance Sheet—Enterprise Funds	80
Combining Statement of Revenues, Expenses and Changes in Retained Earnings— Enterprise Funds	81
Combining Statement of Cash Flows—Enterprise Funds	82
Internal Service Funds	
Internal Service Funds—Descriptions	86
Combining Balance Sheet—Internal Service Funds	87
Combining Statement of Revenues, Expenses and Changes in Retained Earnings— Internal Service Funds	88
Combining Statement of Cash Flows—Internal Service Funds	89
Trust and Agency Funds	
Trust and Agency Funds—Descriptions	92
Combining Balance Sheet—Trust and Agency Funds	94
Combining Balance Sheet—Expendable Trust Funds	95
Combining Statement of Revenues, Expenditures and Changes in Fund Balances— Expendable Trust Funds	96
Combining Balance Sheet—Pension Trust Funds	97
Combining Statement of Revenues, Expenses and Changes in Fund Balances— Pension Trust Funds	98
Combining Statement of Changes in Assets and Liabilities— Agency Funds	99
General Fixed Assets Account Group	
General Fixed Assets Account Group—Description	104
Schedule of Changes in General Fixed Assets by Source	104
Schedule of General Fixed Assets by Function	105
Schedule of Changes in General Fixed Assets by Function	105
College and University Funds	
College and University Funds—Description	108
Combining Balance Sheet—College and University Funds	109

STATISTICAL SECTION

	<u>Table</u>	<u>Page</u>
Revenues by Source and Expenditures by Function—All Governmental Fund Types	1	112
Net Bonded Debt Per Capita	2	113
Ratio of Annual Debt Service Requirements for General Bonded Debt to Total General Fund Expenditures	3	114
Computation of Legal Debt Margin	4	115
Schedule of Revenue Bond Coverage	5	116
Annual Estimates of the Resident Population—Pennsylvania Compared to the United States	6	117
State Banking Institutions Demand Deposits and Time and Savings Deposits	7	118
Resident Employment, Unemployment and Unemployment Rate—Pennsylvania Compared to the United States	8	119
Total Personal Income and Per Capita Personal Income—Pennsylvania Compared to the United States	9	120
Thirty Largest Nongovernmental Employers	10	121
List of Major Corporations that Maintain their Corporate Headquarters in the Commonwealth	11	122
Miscellaneous Statistics	12	123

(THIS PAGE INTENTIONALLY LEFT BLANK)

COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE
HARRISBURG

December 11, 1992

MICHAEL H. HERSHOCK
SECRETARY
OFFICE OF THE BUDGET

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

This Comprehensive Annual Financial Report (CAFR) of the Commonwealth of Pennsylvania represents this Administration's continued commitment to sound fiscal management and to responsible financial reporting based on nationally recognized standards. This CAFR, which includes the Commonwealth's independently audited general purpose financial statements as of and for the fiscal year ended June 30, 1992, will provide you and the financial community with all the information required to fully assess the Commonwealth's financial position, results of operations and the management of its financial resources.

The financial condition of the Commonwealth improved during the fiscal year ended June 30, 1992 despite financial stresses caused by a lengthy national economic recession. The enactment of over \$2.7 billion in General Fund tax increases for the fiscal year eliminated the budgetary basis deficit brought forward from the 1990-91 fiscal year and significantly reduced the GAAP basis unreserved/undesignated fund balance deficit. These gains were accomplished in spite of recession-caused job losses and limited income growth. Other budgetary actions taken during the 1991-92 fiscal year also contributed to a reduction of the GAAP basis deficit by an amount greater than the budgetary basis deficit reduction.

Continuing recessionary conditions throughout the fiscal year reduced revenues from budgeted levels. In order to maintain a balanced budget, expenditures were controlled by implementing numerous cost reduction measures and reducing selected program expenditures.

The Commonwealth continued its commitment to increase housing capacity at correctional institutions by adding over 1,800 new beds during 1991-92. The Cambridge Springs facility and a motivational boot camp were opened, cellblocks were completed at three institutions and modular housing units were installed at eight locations. Construction continues on five new correctional institutions that will provide 5,000 more cells in 1993.

Our long-term commitment to the economic future of the Commonwealth was continued by providing \$9.5 million to the Industrial Communities Program to restore blighted industrial sites to productive use and by transferring \$54.2 million from the General Fund to the Pennsylvania Economic Revitalization Fund (PERF).

Within PERF-funded programs, we provided \$13.5 million for the Business Infrastructure Development Program which makes grants and loans to local sponsors for specific infrastructure improvements that complement private industrial development. We also continued an important effort initiated in prior years by providing \$6 million from the General Fund for the Industrial Resource Centers Program which recruits and creates research facilities for jobs and for direct investment by private companies which will benefit from association with such a facility.

We provided \$22.5 million from the Sunny Day Fund to help private industries expand and attract new businesses to Pennsylvania. We appropriated \$37 million from the General Fund and PERF for the Housing and Redevelopment Program which provides grants to improve blighted neighborhoods through redevelopment and to improve low and moderate-income housing through rehabilitation. We continued a major change initiated in the 1987-88 fiscal year in the way State government assists the job creation process by establishing partnerships among businesses, working men and women, government officials, and educators.

Education continues to be the cornerstone of Pennsylvania's future. We have continued our commitment to the future by providing total funding of \$2.96 billion to our public schools through the Equalized Subsidy for Basic Education. The total funding for basic education was \$5.02 billion, including funding for special education, pupil transportation, teacher retirement and social security, and special programs to address the needs of economically and educationally at-risk students. In addition, we provided over \$1.34 billion for higher educational institutions and students.

During the 1991-92 fiscal year, several major pieces of legislation were enacted to create new and expand existing programs:

- Act 1991-22, enacted in August 1991, provided numerous changes to the Tax Reform Code. It increased the personal income tax rate to 2.8 percent beginning July 1, 1991 with a temporary surcharge of .3 percent from July 1, 1991 through June 30, 1992; increased the corporate net income tax rate to 10.5 percent beginning with calendar 1991 with an additional surcharge of 1.75 percent, and allocated \$70 million from this tax for calendar years 1992 through 1995 for transfer to the Pennsylvania Industrial Development Authority; increased the capital stock/franchise minimum tax to \$300 or 11 mills beginning with calendar/fiscal 1991 with a 2 mill surcharge for calendar/fiscal 1991 and 1¾ mill surcharge for calendar/fiscal 1992 and thereafter — ½ mill of the surcharge to be transferred to the Hazardous Sites Cleanup Fund and ¼ mill of the surcharge to be transferred to the State Lottery Fund; increased the utilities gross receipts tax to 45 mills; increased the cigarette tax to 1.55 cents per cigarette and provided for the transfer of 2/31 of the tax receipts to the Children's Health Fund beginning July 1, 1992 and 2/31 of the tax receipts to the Agricultural Conservation Easement Purchase Fund beginning July 1, 1993; imposed the sales and use tax on various services such as janitorial services and computer programming services; and moved the inheritance tax provisions into the Tax Reform Code and created the "widows tax exemption" for survivor-spouses where the estate does not exceed \$200,000 and the average joint exemption income during the prior three years did not exceed \$40,000.
- Act 1991-23, enacted in August 1991, provided a 10 percent additional service credit as an incentive for state employes, age 55 with at least 10 years of service, to retire between February 1, 1991 and December 31, 1991; extended the early retirement provision (30 years and out) for state and public school employes to June 30, 1993; and recalculated and reduced the amortization period for certain liabilities of both retirement systems from 30 years to 20 years.
- Act 1991-40, enacted in December 1991, made various changes and clarifications to Act 1991-22 in the areas of sales and use tax on services, poverty exemption for personal income tax and transfers to the Hazardous Sites Cleanup Fund.

- Act 1991-26, enacted in August 1991, which provided, among other transit and highway changes, a dedicated funding source for public transit authorities in the Commonwealth. The Public Transportation Assistance Fund receives revenue from: \$1 fee per tire sold for highway use, 6 percent sales tax on periodicals, 3 percent tax on total charges for leased vehicles, \$2 per day charge on rental vehicles, and a 12 mill increase in the utility realty tax. The oil company franchise tax was increased by 55 mills to generate additional revenue for highway and bridge maintenance and capital projects.
- Act 1991-30, enacted in August 1991, changed formulas for reimbursing counties for children and youth services to increase the state share of expenditure reimbursement and to provide for needs-based budgeting.
- Act 1991-36, the Lottery Fund Preservation Act, enacted in August 1991, provided for rebates from pharmaceutical companies for drugs purchased under the Pharmaceutical Assistance Contract for the Elderly and General Assistance Programs, further controlled Lottery funded transportation service costs for the elderly, and discontinued the Lottery Fund paid inflation dividend.
- Act 1991-37, enacted in October 1991, provided for divestiture of the Shamokin State General Hospital; Act 1992-22 enacted in April 1992, provided for the divestiture of the Ashland and Coaldale State General Hospitals. These were the last three remaining state general hospitals. These facilities are now owned and operated by private enterprises.
- Act 1992-4, enacted in March 1992, provided for an additional \$25 million bond referendum to increase loans to volunteer ambulance, rescue squads and fire companies. The additional borrowing was approved by the electorate in the primary election held on April 28, 1992.
- Act 1992-5, enacted in March 1992, provided for an additional \$350 million bond referendum to make additional funds available for the Pennsylvania Infrastructure Investment Authority (PENNVEST) program for water and sewer system improvements. The additional borrowing was approved by the electorate in the primary election held on April 28, 1992.
- Act 1992-11, enacted in April 1992, established a College Tuition Account Program and a zero coupon bond program to assist persons in saving for college tuition. The Tuition Account Program will be operated by the State Treasurer to allow for the advance purchase of tuition credits at community colleges, State System of Higher Education institutions and the State-related universities. The zero coupon bond program authorizes the Commonwealth to issue a portion of its general obligation bonds, no more than one third of the total issued in a fiscal year or \$100 million, whichever is greater, as small denomination zero coupon bonds.

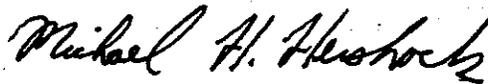
We made significant investments in programs to support the economically needy through general assistance, aid to families with dependent children, and medical assistance. The national economic difficulties caused a continual rise in caseloads throughout the year. Total expenditures for these programs by the Commonwealth and the Federal government amounted to \$7.2 billion in the 1991-92 fiscal year. Approximately 40 percent of the total costs for assistance to the economically needy is funded by the General Fund. The balance is provided by the State Lottery Fund, by the Federal government, and through various program collection activities conducted by the Commonwealth. Additional funding was obtained through implementation of a medical assistance pooling program which provided contributions in 1991-92 totaling \$1 billion. We focused attention on maintaining the financial integrity of the State Lottery Fund by continuing a yearly transfer of selected program costs back to the General Fund. We are continuing to develop a new reimbursement methodology for long-term care facilities providing nursing home care for medical assistance recipients to minimize expenditures.

Overall, the general purpose financial statements demonstrate our continued commitment to fiscal integrity. Our continuing goal is to explore ways to contain the growth of safety net programs while continuing to provide critically needed service for economic development, education, programs for children's health and productive growth in Pennsylvania's economy.

We also have safety valves in place that will buffer us against the uncertainties that lie ahead. We have enacted legislation to dedicate 10 percent of any surpluses and the sale of state properties to the Rainy Day Fund. And, we are pursuing our own solutions to the problems of skyrocketing health care costs instead of waiting for action from the federal government.

All of the actions taken by this administration during the recession, however difficult, have positioned Pennsylvania for fiscal strength when the national economy once again begins to grow.

Sincerely,



Michael H. Hershock
Secretary
Office of the Budget

COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE
HARRISBURG

December 11, 1992

HARVEY C. ECKERT
DEPUTY SECRETARY FOR COMPTROLLER OPERATIONS
OFFICE OF THE BUDGET

Dear Secretary Hershock:

It is my privilege to present this Comprehensive Annual Financial Report (CAFR) on the operations of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 1992. This report, which includes the General Purpose Financial Statements (GPFS), was prepared by the Office of the Budget, Comptroller Operations, 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, October 11, 1984.

The financial statements contained in this CAFR were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed in pronouncements by the Governmental Accounting Standards Board (GASB). They were jointly audited by the elected Auditor General of the Commonwealth of Pennsylvania and KPMG Peat Marwick, a nationally recognized public accounting firm. Their Independent Auditors' Report, expressing an unqualified opinion on the GPFS, is included in this financial report.

I believe the financial statements are fairly stated in all material respects; that they are presented in a manner designed to fairly set forth the Commonwealth's financial position, results of operations, and changes in the fund balances as measured by the financial activity of its various fund types; and that all disclosures necessary to enable the Governor, the Members of the General Assembly, the public, and the financial community to gain a full understanding of 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.

In addition to the GPFS, which provide an overview of the Commonwealth's financial position and operating results by fund type, this CAFR includes: combining financial statements presenting information by fund; supporting schedules; certain narrative information describing individual funds; and statistical tables presenting financial, economic, social and demographic data about the Commonwealth. The CAFR was prepared in accordance with standards established by the Government Finance Officers Association of the United States and Canada (GFOA) and will be submitted to the GFOA to determine its eligibility for a Certificate of Achievement for Excellence in Financial Reporting.

THE FINANCIAL REPORTING ENTITY

The GPFS of the Commonwealth, in conformance with GASB Codification Section (Cod.Sec.) 2100 includes all funds, account groups, agencies, boards and commissions, and governmental public service corporations over which the Commonwealth's executive and legislative branches exercise oversight responsibility. Criteria used to determine oversight responsibility include budget adoption and approval, taxing authority, funding of outstanding debt, authority to appoint an organization's governing body, constitutional officers' ability to significantly influence operations, accountability for fiscal operations and scope of public service. Inclusion of an organization in the Commonwealth GPFS in no way alters the defined prerogatives of the organization's management, its statutory authority, or its legal characteristics.

Based on Cod.Sec. 2100, the following Commonwealth public service organizations meet the oversight criteria and are included in the accompanying financial statements.

Pennsylvania Higher Educational Facilities Authority (PHEFA): The PHEFA was created for the purpose of financing, constructing, improving and maintaining any educational facility, and assisting colleges in financing, on a short-term basis, their working capital requirements. PHEFA revenue bonds are financed through lease rental payments. Some of the lessees, although private institutions, are recipients of Commonwealth grants and subsidies.

Pennsylvania Higher Education Assistance Agency (PHEAA): The PHEAA was created to improve the higher educational opportunities of persons who are residents of the Commonwealth and attending institutions of higher education by enabling the agency, lenders and post-secondary institutions to make loans and grants to students for educational purposes. Debt service on bonds issued by the PHEAA is met from loan repayments and interest and other revenues of the agency.

Pennsylvania Housing Finance Agency (PHFA): The PHFA was created to make loans secured by real property or leasehold, including mortgages, to finance projects designed and planned to be available for low and moderate income persons and families. Bonds issued by the PHFA are partially secured by a capital reserve fund required to be maintained at an amount equal to the maximum annual debt service on its outstanding bonds in any succeeding calendar year. Statute provides that if there is a deficiency in the capital reserve fund or if funds are necessary to avoid default on interest, principal or sinking fund payments on PHFA notes or bonds, an amount sufficient to make up such deficiency shall be placed in the budget of the Commonwealth for the succeeding fiscal year.

Pennsylvania Industrial Development Authority (PIDA): The PIDA was created for the purpose of making secured loans to industrial development agencies for payment of a part of the cost of industrial development projects in critical economic areas. Principal and interest payments to PIDA and other revenues are used to pay debt service on revenue bonds issued by the PIDA and to make additional loans.

Pennsylvania Infrastructure Investment Authority (PENNVEST): The PENNVEST was created for the purpose of financing long-term, low interest loans for corporations, partnerships, sole proprietorships, nonprofit organizations, authorities, and municipalities for the construction, improvement, repair or rehabilitation of drinking water and waste water systems throughout the Commonwealth. PENNVEST is an instrumentality of the Commonwealth, funded by contributed capital from other funds, the federal government, general obligation bonds authorized by referendum, and revenue bonds. Earnings of PENNVEST and repayments of loans are reinvested for additional financing activities.

Pennsylvania Turnpike Commission (PTC): The PTC was created for the purpose of constructing, maintaining and operating a turnpike system together with connecting roads, tunnels and bridges. Debt service on turnpike revenue bonds is payable from revenues, primarily tolls and rentals from leases and concessions, of the turnpike system.

State Employees' Retirement System (SERS), Public School Employees' Retirement System (PSERS): The SERS and PSERS were established as independent administrative boards of the Commonwealth. Each system is directed by a governing board which exercises control and management of the systems, including the investment of assets. The retirement plans of the SERS and the PSERS are contributory defined benefit plans covering all state employees, employees of certain state-related organizations, and all public school employees. Proposed changes in benefit and contribution provisions require legislative action and must be supported by an actuarially computed estimate of the cost of such changes.

State Highway and Bridge Authority (SHBA): The SHBA was created to construct, reconstruct, improve and maintain highway and bridge projects and roadside rests. All rental charges of SHBA are transferred from the Motor License Fund, a Special Revenue Fund, and are used to meet debt service requirements. No SHBA debt obligations have been issued since 1968.

State Public School Building Authority (SPSBA): The SPSBA was created for the purpose of constructing, furnishing and equipping, and maintaining public school buildings, as part of the public school system of the Commonwealth. Debt service on revenue bonds issued by the SPSBA is met from lease rental payments made by the local school districts, all of which receive substantial financial aid from the Commonwealth.

State System of Higher Education (SSHE): In accordance with Cod. Sec. 2100, Commonwealth-owned universities are reported in a "discrete presentation" under a separate fund category in the Commonwealth's GPFS. The SSHE, composed of fourteen universities, was created by Act No. 188 of 1982 to function independently of the Department of Education for the purpose of providing instruction for undergraduate and graduate students. The corporate powers of the SSHE are exercised by a Board of Governors through the SSHE Chancellor.

Commonwealth-related universities named below are not included in the GPFS as the degree of oversight responsibility exercised by the Commonwealth is so insignificant that it has not been deemed appropriate to reflect them in the reporting entity.

Pennsylvania State University
Temple University
University of Pittsburgh
Lincoln University

It has been determined that the following organization is not a part of the Commonwealth reporting entity after applying criteria of Cod. Sec. 2100 and is excluded from the GPFS because the Commonwealth does not control its assets, operations or management.

Pennsylvania Municipal Retirement System (PMRS): The PMRS was established as an independent board of the Commonwealth for the purpose of administering a retirement plan for officers, employes, firemen and policemen of the Commonwealth's political subdivisions and municipal authorities, and of institutions supported and maintained by the political subdivisions and municipal government associations. Control and management of the PMRS, including investment of assets, is exercised by a governing board.

BUDGETARY CONTROLS AND ACCOUNTING SYSTEMS

The annual budget of the Commonwealth is comprised of separate appropriations to individual agencies for their specific programs, purposes, special outlays and/or operating expenditures. Budgetary control is exercised at the agency level by appropriation and by allocations to major categories of expenditure within each appropriation. Major expenditure categories include personnel services, operational expenses, fixed assets, subsidies and grants, debt service and fixed charges. An encumbrance system is used to effect budgetary control at the appropriation and allocation levels.

Encumbrances represent the estimated amount of expenditures that are expected to be incurred when purchase orders issued are filled and contracts and other commitments entered into are performed. They serve to reserve that part of an appropriation until the actual liabilities are incurred and to ensure that funds committed (encumbered) and expended do not exceed the total amounts appropriated and/or allocated. Section 621 of the Administrative Code provides that unencumbered appropriated funds shall automatically lapse at fiscal year end and become available for appropriation in the new fiscal year. Encumbered appropriations are carried forward into the new fiscal year. They are reported in the Commonwealth's governmental funds as reservations of fund balance as distinguished from unreserved fund balance. Funds reserved for appropriations carried forward may be expended until October 31 of the new fiscal year at which time any remaining balances must be lapsed, except amounts for encumbered items being litigated or arbitrated or otherwise extended for some other reason with approval of the Secretary of the Budget. In no event, however, can an encumbrance carried forward from one fiscal year be extended beyond the end of the next fiscal year except for a litigated item.

Accounting records of most departments under the Governor's jurisdiction are maintained on a centralized accounting system. The operations of this system are directed and supervised by the Office of the Budget, Comptroller Operations. Separate accounting systems are maintained by the Department of Transportation for the Motor License Fund; the Liquor Control Board for the State Stores Fund; and the Department of Labor and Industry, Office of Employment Security, for the payment of unemployment compensation benefits. The Treasury Department, the Department of the Auditor General, and the Legislature and Judiciary, likewise, operate separate accounting systems.

The accounts of the Commonwealth's governmental fund types are maintained on a budgetary basis by fund, agency and appropriation. Revenues are recorded at the time cash is received.

Expenditures are recorded at the time payment requisitions and invoices are submitted to the Treasury Department for payment. At the fiscal year end, both revenues and expenditures are adjusted to reflect appropriate accruals for financial reporting in conformity with GAAP.

Within the accounting systems, internal controls effectively provide reasonable assurance that financial transactions are executed in accordance with prior authorizations, that assets are protected from unauthorized use or disposition, and that the financial records are reliable for the purposes of preparing financial statements and maintaining accountability. All department records are reconciled monthly with the Treasury Department's records of cash disbursements and the Department of Revenue's records of cash receipts.

THE GENERAL PURPOSE FINANCIAL STATEMENTS (GPFS)

Although the Commonwealth plans and manages its financial affairs on a budgetary basis, it also prepares GPFS in conformity with GAAP applicable to governments. These financial statements differ from those prepared on a budgetary basis in that generic funds are combined by fund types and the financial information is presented on the basis of accounting principles applicable to each fund type. Accordingly, governmental, expendable trust, and agency funds are reported on the modified accrual basis of accounting; proprietary and pension trust funds are reported on the accrual basis of accounting. The College and University Funds are reported on the accrual basis of accounting in accordance with the National Association of College and University Business Officers' *College and University Business Administration* and the American Institute of Certified Public Accountants' *Audits of Colleges and Universities* for institutions of higher education.

In measuring financial position and operating results on the modified accrual basis of accounting, as compared to the budgetary basis, revenues are generally recognized when they become measurable and available to finance current obligations, as opposed to when cash is received. Expenditures are generally reported when goods and services are received and a liability incurred, rather than when cash is disbursed. Due to these differences, the Commonwealth's GPFS as of a fiscal year end include amounts which actually will not be received or disbursed until a future date. Such amounts are necessarily based on management's best assessment and evaluation of available financial data at the time the financial statements are prepared. They include revenues due the Commonwealth, net of credits and refunds, and accounts payable and accrued expenditures for which a liability has been incurred as of the fiscal year end.

ECONOMIC CONDITION AND OUTLOOK

Nationally, economic data such as the gross domestic product have been indicating a resumption of economic growth since the first quarter of the 1991-92 fiscal year. The rate of such growth, however, has been considerably slower than normal for an economic recovery. The slow pace of recovery is exemplified by the continuing high rate of unemployment, a reluctance by consumers to spend, and low consumer expectations of future economic well-being. These trends have been the source of slow tax revenue growth to the Commonwealth in the 1992-93 fiscal year, particularly for the sales and personal income taxes. The small increase in revenues should not cause the 1992-93 fiscal year budget to become unbalanced as the adopted budget was based on an economic scenario of slow economic growth and small growth rates for the major tax sources.

Total revenue collections for the General Fund, for the 1992-93 fiscal year through November, were within one-third of one percent of the estimate for that period. Although collections from the sales and personal income taxes were slightly below their estimates for that period, the shortages are believed to be due to the timing of receipts rather than to differences in the base of the estimate. Collections from corporate and liquor taxes and from miscellaneous non-tax sources were over their estimates offsetting shortages in other revenue sources through November 1992. The Commonwealth does not expect to significantly change its General Fund revenue estimate for the remainder of the 1992-93 fiscal year.

THE GENERAL FUND

The General Fund, the Commonwealth's largest fund, is the focal point in any assessment of Pennsylvania's financial position. It accounts for all revenues and receipts which are not required by law to be accounted for or deposited elsewhere and for the major portion of Commonwealth expenditures. Tax receipts, principally personal and corporate income and sales and use taxes, constitute more than 66 percent of the General Fund's revenues. Major fund expenditures are for general government, protection of persons and property, public health and welfare, public education, economic development and debt service on all obligations except those incurred for highway or other special revenue fund purposes. A comparison of how the Commonwealth has operated within its adopted General Fund budget, as amended, is presented in the "Combined Statement of Revenues, Expenditures and Changes in Unreserved/Undesignated Fund Balances — Budget and Actual (Budgetary Basis)," included in the GPFs.

Budgetary Basis: At June 30, 1992 the Commonwealth reported an \$8.8 million unreserved/undesignated fund balance (budgetary basis) in the General Fund. This compares to a budgetary basis fund balance deficit, as restated, of \$450.9 million at June 30, 1991. The change in budgetary basis fund balance for the fiscal year ended June 30, 1992 was the result of revenue collections totaling \$21,289.2 million less appropriation authorizations totaling \$20,867.2 million, plus other net financing sources totaling \$37.7 million. Included in the \$20,867.2 million appropriation authorizations are \$68.1 million of state supplemental appropriations and \$158.0 million in federal supplemental appropriations authorized during the fiscal year.

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

<u>At June 30</u>	<u>Unreserved/ Undesignated Fund Balance</u>	<u>Increase (Decrease)</u>
1988	\$ 94.7	\$ (253.1)
1989	385.1	290.4
1990	136.2	(248.9)
1991	(450.9)	(587.1)
1992	8.8	459.7

Modified Accrual Basis: At June 30, 1992 the Commonwealth's General Fund reported a fund balance of \$87.5 million, an increase of \$1,068.5 million from the \$981.0 million fund balance deficit at June 30, 1991. Total assets increased by \$235.5 million to \$2,143.7 million. Liabilities decreased by \$833.0 million to \$2,056.2 million. These changes and others are reflected in the General Fund summary comparative balance sheet that follows.

General Fund
Summary Comparative Balance Sheets (GAAP Basis)
(Expressed in Millions)

	June 30, 1992	June 30, 1991	Increase (Decrease)
Assets			
Cash and temporary investments	\$ 566.8	\$ 331.3	\$ 235.5
Receivables, net	743.6	636.5	107.1
Due from other funds/governments	831.1	934.8	(103.7)
Other assets	2.2	5.6	(3.4)
Total Assets	<u>\$ 2,143.7</u>	<u>\$ 1,908.2</u>	<u>\$ 235.5</u>
Liabilities			
Accounts payable and other accrued liabilities	\$ 1,507.2	\$ 1,684.3	\$ (177.1)
Due to other funds/governments	534.9	1,190.8	(655.9)
Deferred revenue	14.1	14.1	. . . .
Total Liabilities	<u>2,056.2</u>	<u>2,889.2</u>	<u>(833.0)</u>
Fund Balance			
Reserved	226.1	165.2	60.9
Unreserved:			
Undesignated (deficit)	(138.6)	(1,146.2)	1,007.6
Total Fund Balance (deficit)	<u>87.5</u>	<u>(981.0)</u>	<u>1,068.5</u>
Total Liabilities and Fund Balance	<u>\$ 2,143.7</u>	<u>\$ 1,908.2</u>	<u>\$ 235.5</u>

GENERAL GOVERNMENTAL FUNCTIONS — MODIFIED ACCRUAL BASIS

The Commonwealth's governmental fund types include the General Fund, the Special Revenue Funds, which includes the Motor License Fund, the Debt Service Funds and the Capital Projects Funds. These funds account for most general operating revenues and expenditures. Their combined fund balances at June 30, 1992 increased by \$1,248.7 million to \$1,227.8 million from a \$20.9 million deficit at the beginning of the fiscal year. Unreserved/undesignated fund balances at June 30, 1992 amount to a \$107.1 million deficit as compared to a \$1,189.2 million unreserved/undesignated fund balance deficit a year ago. Comparative summaries of general governmental revenues by source and expenditures by function (expressed in millions) follow.

General Governmental Revenues by Source. Revenues of the Commonwealth's General, Special Revenue, Debt Service and Capital Projects Funds totalled \$25,762 million. This represents a 23.1 percent increase over the previous fiscal year. Taxes constituted 60.0 percent of general governmental revenues; intergovernmental revenues, primarily Federal funds, constituted 23.3 percent.

<u>Revenue Source</u>	<u>Fiscal Years Ended</u>		<u>Increase (Decrease)</u>
	<u>June 30, 1992</u>	<u>June 30, 1991</u>	
Taxes	\$ 15,445	\$ 11,981	\$ 3,464
Licenses and fees	699	685	14
Intergovernmental	6,005	5,165	840
Charges for goods and services	1,755	1,015	740
Investment income	141	158	(17)
Lottery receipts	1,374	1,521	(147)
Lease rental principal and interest	173	170	3
Other	170	241	(71)
Total Revenues	<u>\$ 25,762</u>	<u>\$ 20,936</u>	<u>\$ 4,826</u>

Intergovernmental revenues increased by \$840 million due mainly to the increased participation in the Federal Medicare Program.

Charges for goods and services increased by \$740 million due primarily to the receipt of donations realized from pooling arrangements with medical assistance providers.

Taxes increased by \$3,464 million over the previous fiscal year primarily due to a tax increase enacted in August of 1991. The following is a summary of tax revenue by type:

Taxes by Type	Fiscal Years Ended		Increase (Decrease)
	June 30, 1992	June 30, 1991	
Personal income	\$ 4,693	\$ 3,256	\$ 1,437
Sales and use	4,589	4,160	429
Corporation	3,845	2,637	1,208
Liquid Fuels	628	993	(365)
Other	1,690	935	755
Total Taxes	\$ 15,445	\$ 11,981	\$ 3,464

General Governmental Expenditures by Function. Expenditures of the Commonwealth's General, Special Revenue, Debt Service and Capital Projects Funds totalled \$24.7 billion, an increase of \$2.1 billion over the previous fiscal year. Of the total amount expended, public health and welfare accounted for 45.0 percent, public education for 24.3 percent and transportation for 9.2 percent.

Expenditure Function	Fiscal Years Ended		Increase (Decrease)
	June 30, 1992	June 30, 1991	
General government	\$ 1,918	\$ 1,890	\$ 28
Protection of persons and property	1,378	1,292	86
Public health and welfare	11,132	9,200	1,932
Public education	6,016	5,853	163
Conservation of natural resources	468	431	37
Economic development and assistance	302	315	(13)
Transportation	2,266	2,392	(126)
Capital outlay	207	299	(92)
Debt service:			
Principal retirement	569	527	42
Interest and fiscal charges	487	453	34
Total Expenditures	\$ 24,743	\$ 22,652	\$ 2,091

Expenditures for public health and welfare increased by \$1,932 million or 21.0 percent over the previous fiscal year. Increases in financial support to the economically needy, aid to families with dependent children, and medical assistance comprise the largest portion of the public health and welfare expenditure increase.

Expenditures for public education increased by \$163 million or 2.8 percent over the previous fiscal year. Areas of increase include aid to local school districts for basic instruction, vocational instruction, debt service, pupil transportation, employe retirement including social security, and special education programs.

DEBT ADMINISTRATION

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 certified constitutional debt limit at August 31, 1992 was \$25.3 billion. Outstanding capital project debt at August 31, 1992 amounted to \$4.1 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, and water facilities restoration; and for special purposes approved by the General Assembly, such as disaster relief.

The total general obligation bond indebtedness outstanding at June 30, 1992 was \$4,873.5 million. Total debt service expenditures paid from General Fund and Motor License Fund appropriations during the fiscal year ended June 30, 1992 amounted to \$780.1 million.

During the fiscal year ending June 30, 1993 the Office of the Budget projects general obligation bond issuances amounting to \$547 million, a decrease of \$24 million as compared to actual bond issuances of \$571 million during the fiscal year ended June 30, 1992. This forecast reflects the need to make investments in the Commonwealth's capital infrastructure, particularly prisons, interstate highway construction under the Federal Advance Construction Interstate Program, highway bridges, mass transportation and water supply systems. Debt principal retirements of \$502 million are forecast during fiscal 1993. The table that follows shows total outstanding long-term indebtedness for general obligation bonds (expressed in millions) at the end of the seven most recent fiscal years.

<u>At June 30</u>	<u>Outstanding Bond Indebtedness</u>
1986	\$ 4,529
1987	4,559
1988	4,699
1989	4,705
1990	4,634
1991	4,788
1992	4,874

In addition to general obligation bonds, the Commonwealth issues 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 year, and must mature during the fiscal year in which they are issued. Cash shortages occur during the fiscal year because tax receipts, unlike cash disbursements, are concentrated in the fourth quarter of the fiscal year.

During the fiscal year ending June 30, 1993, total General Fund revenues and budgeted expenditures, including Federal funds, are expected to increase by .5 percent and .2 percent, respectively. As the result of tax changes and expenditure patterns that are likely to affect the cash receipts flow, the Commonwealth anticipates issuance of \$975 million in General Fund tax anticipation notes during the 1992-93 fiscal year. General Fund tax anticipation note or commercial paper issuances (expressed in millions) during the five most recent fiscal years are shown below. Motor License Fund tax anticipation notes were not issued for the periods shown and are not expected to be issued in the future.

<u>Fiscal Year Issue Ended June 30</u>	<u>For the Account of the General Fund</u>	<u>Amount Issued as a Percent of General Fund Tax Revenues</u>
1989	\$ 699	7%
1990	955	8
1991	1,400	12
1992	1,450	10
1993 (Estimated)	975	7

CASH MANAGEMENT

The Treasury Department is required by the Commonwealth's Fiscal Code to deposit monies of the Commonwealth, excluding certain component units, in state depositories approved by the Board of Finance and Revenue. Monies deposited are not required to be segregated by fund.

In addition, the Treasury Department is empowered to invest monies of the Commonwealth that have accumulated beyond the ordinary needs of the various Commonwealth Funds. Temporary investments held by the Treasury Department by type, average maturity in days and percent at June 30, 1992 are depicted below.

<u>Investment Type</u>	<u>Average Maturity (days)</u>	<u>Percent</u>
Commercial Paper (Moody's Prime One Rating or Equivalent)	9	24.2
United States Treasury and Agency Obligations	633	39.1
Repurchase Agreements	3	23.6
Certificates of Deposit	195	5.3
Corporate Bonds and Notes	212	.7
Other	354	7.1
		<u>100.0</u>

Temporary investments held by the Treasury Department amounted to \$3.6 billion, of the \$6.3 billion reported on the combined balance sheet, as of June 30, 1992. Interest on investments made by the Treasury Department during the fiscal year amounted to \$207.9 million at an average yield of 5.5 percent.

RISK MANAGEMENT

The Commonwealth maintains ongoing training and information programs to reduce risks associated with employe injury and negligence, contract compliance, tort liabilities and property losses. As more fully described at Note O to the financial statements, the Commonwealth became self-insured for employe disability and medical claims on July 1, 1983. The Commonwealth is also self-insured for tort liabilities, including automobile, employe and transportation-related claims. Reserves have been established to fund self-insured claims. Third-party coverage is obtained for property losses in excess of \$1 million per occurrence, to a limit of \$100 million per occurrence. Coverage for property losses less than \$1 million or more than \$100 million is maintained through the Commonwealth's self-insurance program.

CAPITAL PROJECTS FUNDS

Proceeds of general obligation bonds are generally accounted for in the capital projects funds. Completed projects and construction in progress at the fiscal year end are accounted for as assets and are capitalized in the General Fixed Assets Account Group. Projects completed during the fiscal year totalled \$132 million; construction in progress at June 30, 1992 amounted to \$157 million. Authorized but unissued general obligation bonds at June 30, 1992 totalled \$13.7 billion.

PROPRIETARY, FIDUCIARY AND COLLEGE AND UNIVERSITY FUNDS

The Commonwealth's enterprise funds, Proprietary Type Funds, are used to account for revolving loan programs for economic development, higher education and housing assistance. Also included are a turnpike system and the Pennsylvania Infrastructure Investment Authority (PENNVEST) which loans funds to local governments for improving water and sewer systems. All enterprise funds reported retained earnings at June 30, 1992, totaling \$1,737 million, which represents an increase of \$71 million from the \$1,666 million retained earnings reported the previous year.

Fiduciary type funds, including expendable trust funds and pension trust funds, reported total fund balances of \$32,984 million at June 30, 1992, compared to \$29,360 million at June 30, 1991. Total fund balances of the expendable trust funds decreased \$426 million over the previous fiscal year, for total reported fund balances of \$1,451 million at June 30, 1992. The two pension trust funds included in the Commonwealth's financial reporting entity reported combined fund balances of \$31,533 million at June 30, 1992, an increase of \$4,050 million over the previous fiscal year. Fund balances of the pension trust funds are completely reserved for pension benefits.

The total fund equity for the College and University Funds, used to account for the State System of Higher Education, at June 30, 1992 was \$394 million, compared to \$349 million at June 30, 1991.

GENERAL FIXED ASSETS

General fixed assets of the Commonwealth are those used in the performance of general governmental functions. The fixed assets of the proprietary and the fiduciary fund types and the College and University Funds are not included in the General Fixed Assets Account Group, except for certain real property used by the SSHE. General fixed assets as of June 30, 1992 amounted to \$3,169 million at actual or estimated historical cost. Depreciation is not recognized for the Commonwealth's general fixed assets. Infrastructure assets, consisting primarily of highways, roads and bridges, are not recorded in the General Fixed Assets Account Group. Both of these practices are in conformity with GAAP.

INDEPENDENT AUDIT

The audit of the GPFs, evidenced by the Independent Auditors' Report submitted herewith, was performed jointly by the Department of the Auditor General and the independent public accounting firm of KPMG Peat Marwick. It was performed pursuant to the authority vested in the Auditor General and the Governor under Section 402 of the Fiscal Code of 1929 and in the Governor under Section 701 of the Administrative Code of 1929.

The Fiscal Code provides that the Department of the Auditor General shall make all audits of transactions after their occurrence, which may be necessary, in connection with the administration of the financial affairs of the government of the Commonwealth of Pennsylvania and that it shall be the duty of the Governor to make such audits of the affairs of the Department of the Auditor General.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth of Pennsylvania for its Comprehensive Annual Financial Report as of and for the fiscal year ended June 30, 1991. This represents the sixth consecutive year the Commonwealth of Pennsylvania has received this award.

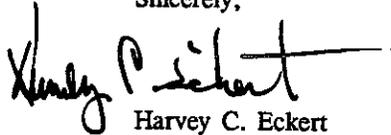
To merit a certificate of achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report which conforms to GFOA standards and satisfy both generally accepted accounting principles and applicable legal requirements. A certificate of achievement is valid for a period of one year only.

We believe the Comprehensive Annual Financial Report of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 1992 conforms to the GFOA standards and we are submitting it to the GFOA to determine its eligibility for a Certificate of Achievement for Excellence in Financial Reporting.

ACKNOWLEDGEMENTS

In conclusion, I wish to express my appreciation to the staff of the various Commonwealth agencies whose time and dedicated effort made this report possible and, at the same time, to reaffirm my commitment to you to maintain the highest standards of accountability in financial reporting to the citizens of the Commonwealth.

Sincerely,



Harvey C. Eckert
Deputy Secretary for Comptroller Operations
Office of the Budget

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1991

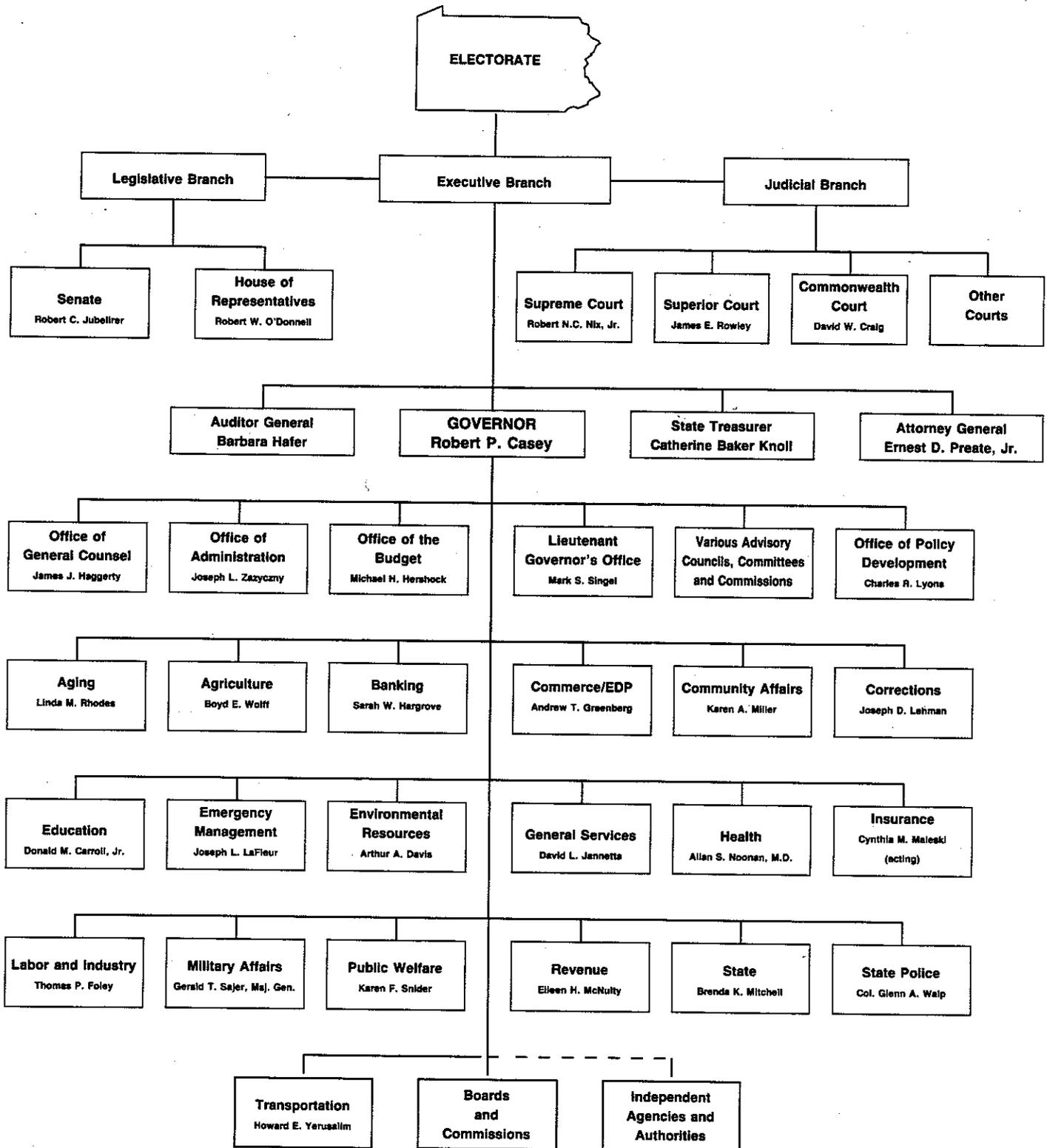
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



J. H. ...
President

Jeffrey L. Esser
Executive Director

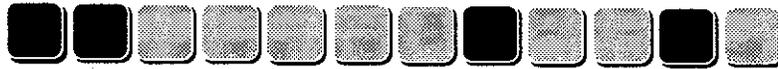
**COMMONWEALTH OF PENNSYLVANIA
ORGANIZATION AND OFFICIALS CHART
JUNE 30, 1992**



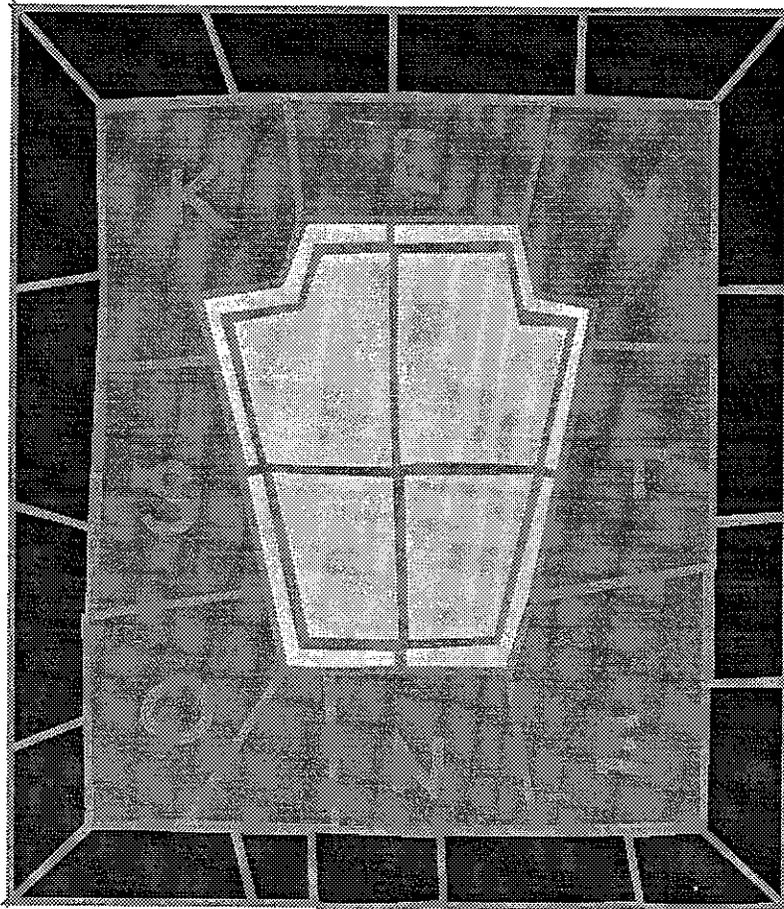


Keystone

Pennsylvania has long been called "The Keystone State of the Union," either from its occupying the mid-position of the original thirteen colonies, or from standing at the point of union of the free and slave states. The newspapers of the nineteenth century used the pattern of a keystone as an emblem of the state.



Financial Section





Commonwealth of Pennsylvania
Office of the Auditor General
Harrisburg, PA 17120

BARBARA HAFER
AUDITOR GENERAL

KPMG Peat Marwick

Certified Public Accountants

225 Market Street
Suite 300
P.O. Box 1190
Harrisburg, PA 17108-1190

Independent Auditors' Report

The Honorable Robert P. Casey
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

We have jointly audited the general purpose financial statements of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 1992, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the Commonwealth's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not jointly audit the financial statements of certain component units, which represent 58, 47, 68 and 84 percent of total assets and 4, 72, 46 and 47 percent of total revenues, respectively, of the Special Revenue, Debt Service, Capital Projects and Enterprise Funds, 93 percent of total assets of the Trust and Agency Funds, all revenues of the Pension Trust Funds, and 23 percent of total liabilities of the General Long-Term Obligations Account Group, and we did not jointly audit the financial statements of the State System of Higher Education which represent the amounts shown as the College and University Funds. The financial statements of these component units and the College and University Funds were audited by other auditors, including KPMG Peat Marwick acting separately, whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for those component units and the College and University Funds, is based solely on the reports of the other auditors. KPMG Peat Marwick has audited separately 58, 47, 68, 24 and 63 percent of total assets and 4, 72, 46, 21 and 53 percent of total revenues, respectively, of the Special Revenue, Debt Service, Capital Projects, Enterprise and Pension Trust Funds and 23 percent of total liabilities of the General Long-Term Obligations Account Group.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

The Department of the Auditor General emphasizes that, as required by the Governmental Accounting Standards Board, the general purpose financial statements, prepared in accordance with generally accepted accounting principles (GAAP), include a Combined Statement of Revenues, Expenditures and Changes in Unreserved/Undesignated Fund Balances - Budget and Actual (Budgetary Basis), General and Budgeted Special Revenue Funds. The Commonwealth of Pennsylvania's budgetary basis of accounting is described in Note B. GAAP requires a reconciliation of budgetary and GAAP basis amounts when a governmental entity adopts a budget on any basis other than GAAP. This reconciliation is included in Note M.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Commonwealth of Pennsylvania at June 30, 1992, and the results of its operations and the cash flows of its Proprietary Funds for the fiscal year then ended, in conformity with generally accepted accounting principles.

As discussed in Note C to the general purpose financial statements, the fund equity of the Pennsylvania Infrastructure Investment Authority, an Enterprise Fund, and the fund equity of the Purchasing Fund, an Internal Service Fund, have been restated to record grant administration expenses and previously unreported activities, respectively.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Commonwealth of Pennsylvania. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and, therefore, express no opinion thereon.

Barbara Hifer

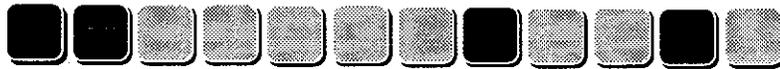
KPMG Peat Marwick

November 20, 1992

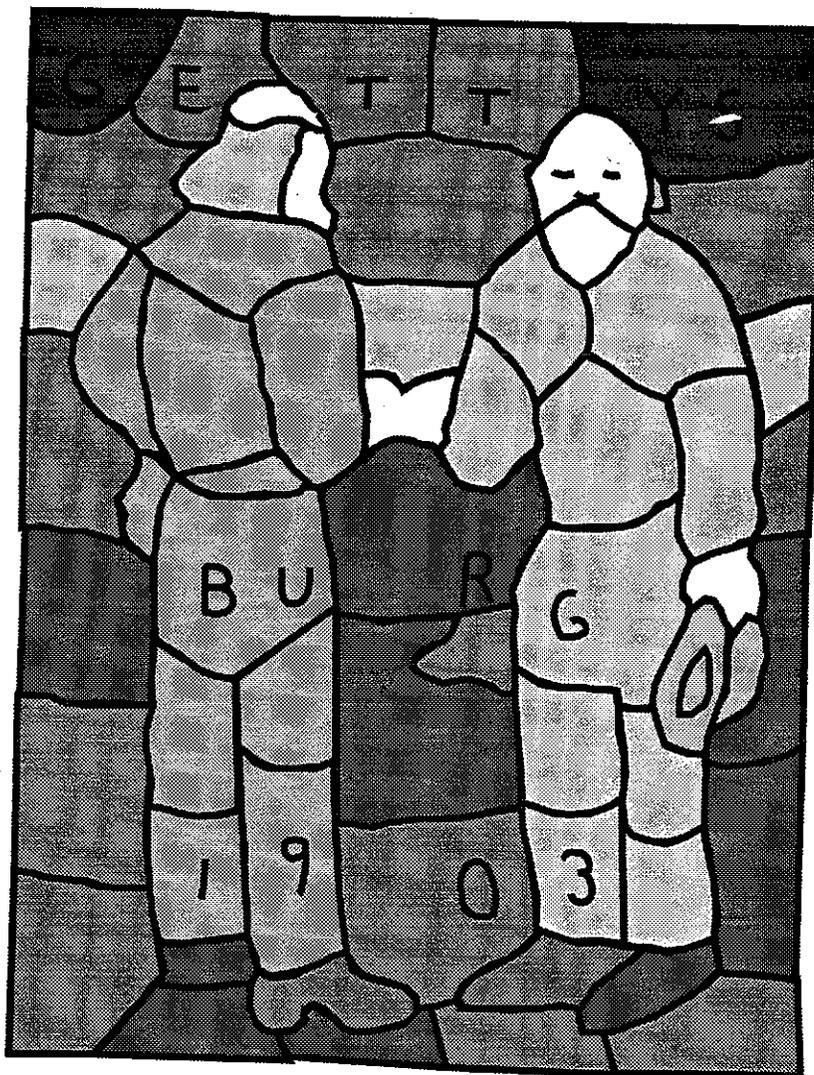


Reconciliation of North and South

This mosaic represents the reconciliation of the two survivors of the Civil War. Once they were soldier enemies, but now they meet as peaceful farmers, after many years, to shake hands on their old battlefield at Gettysburg. This tile celebrates the noted reunion of surviving veterans in 1903.



General Purpose Financial Statements



**COMBINED BALANCE SHEET
All Fund Types and Account Groups**

June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type		Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterpris	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	College and University Funds	
Assets:											
Cash—Note D	75,474	53,887	554	829	28,954	488	17,657			11,520	189,363
Cash with fiscal agents—Note D			42,081				1,010,286				1,052,367
Temporary investments—Note D	491,323	841,745	54,933	224,526	2,448,682	16,324	1,997,139			245,701	6,320,373
Long-term investments—Note D		10,318	88,351	47,335	1,069,558		30,058,991			31,085	31,305,638
Receivables, net:											
Taxes—Note G	694,921	144,562					306,342				1,145,825
Accounts	28,196	25,583	18,155		50,434	33	90,207			16,369	228,977
Accrued interest	19,915	4,843	4,045	814	91,587	60	295,561			115	416,940
Loans—Note G		106,508		1,495	4,137,826					22,911	4,268,740
Lease rental—Note G		1,761,720	36,205								1,797,925
Pension contributions							219,127				219,127
Other	574	6,932			15,657	659	25,990			4,832	54,644
Due from other funds—Note H	41,678	47,366	39,777	129	23,229	9,731	290,664			112,594	565,168
Due from other governments—Note F	719,223	93,230			38,098	275	82,877				933,703
Advances to other funds	70,175										70,175
Inventory					134,712	12,018				4,478	151,208
Fixed assets—Note E					2,393,079	45,564	10,108	3,168,502		472,700	6,089,953
Less: accumulated depreciation					(919,626)	(25,508)	(2,469)			(125,557)	(1,073,160)
Other assets	2,260				60,742	17	480,605			21,064	564,688
Other Debits:											
Amounts available in Commonwealth Funds for:											
Retirement of general obligation bonds								48,233			48,233
Retirement of other bonds								132,251			132,251
Other general long-term obligations—Note B								5,267			5,267
Amounts to be provided for the retirement of:											
General obligation bonds								4,825,309			4,825,309
Other bonds								1,902,520			1,902,520
Other general long-term obligations								2,076,467			2,076,467
TOTAL ASSETS AND OTHER DEBITS	\$ 2,143,739	\$ 3,096,694	\$ 284,101	\$ 275,128	\$ 9,572,932	\$ 59,661	\$ 34,883,085	\$ 3,168,502	\$ 8,990,047	\$ 817,812	\$ 63,291,701

— See notes to financial statements. —

**COMBINED BALANCE SHEET
All Fund Types and Account Groups—(continued)**

June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Type		Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General		College and University Funds		
								Fixed Assets	Long-Term Obligations			
Liabilities:												
Accounts payable and accrued liabilities	\$ 1,230,879	\$ 513,596	\$ 34	\$ 56,983	\$ 318,121	\$ 15,262	\$ 449,489	\$	\$	\$ 90,695	\$ 2,675,059	
Investment purchases payable	276,340	364					847,115				847,115	
Tax refunds payable			42,081				2,398				279,102	
Matured debt principal and interest payable	257,785	33,779	6,183	2,676	65,673	315	13,160			119,730	499,301	42,081
Due to other funds—Note H	277,009	22,821		6	12,022	46	203,395				515,299	
Due to other governments	14,119	1,774,263	54,360		83,858	29				29,769	1,956,398	
Deferred revenue										2,462	515,789	
Notes payable—Note J					513,327						385,000	
Demand revenue bonds payable—Note J					385,000						70,175	
Advances from other funds		2,175			68,000						602,789	
Other liabilities	152	3,035	1,037	2,180	171,643		383,894			40,848	916,235	
Insurance loss liability					916,235						4,873,542	
General obligation bonds payable—Note K											2,034,771	
Bonds payable—Note K											4,383,648	
Revenue bonds payable—Note K					4,383,648							
Capital lease and other general long-term obligations—Note K												
TOTAL LIABILITIES	2,056,284	2,350,033	103,695	61,845	6,917,527	15,652	1,899,451			2,081,734	140,800	2,222,534
Equity and Other Credits:												
Contributed capital—Note H					918,692	9,219					228,733	927,911
Investment in fixed assets										3,168,502		3,397,235
Retained earnings:												
Reserved—Note B					1,196,009	34,790						1,196,009
Unreserved					540,704							575,494
Fund balance:												
Reserved for:												
Encumbrances	141,666	247,321		257,033			3,213			21,471	670,704	
Advances	70,175										70,175	
Pension benefits							31,532,883				31,532,883	
Loans receivable		106,508								23,959	130,467	
Long-term investments		10,318	88,351	47,335			260,615				406,619	
Endowment and similar funds										17,257	17,257	
Restricted fund balance										32,221	32,221	
Other—Note B	14,245									12,962	27,207	
Unreserved:												
Designated for:												
Capital projects				138,704								138,704
Debt service:												
Retirement of general obligation bonds			48,233									48,233
Retirement of other bonds			43,900									43,900
Highways		95,639										95,639
Other—Note B		25,440					206					25,646
Undesignated (deficit)—Note C	(138,631)	261,435	(78)	(229,789)			1,186,717			56,905	1,186,559	
TOTAL EQUITY AND OTHER CREDITS	87,455	746,661	180,406	213,283	2,655,405	44,009	32,983,634	3,168,502		393,508	40,472,863	
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 2,143,739	\$ 3,095,694	\$ 284,101	\$ 275,128	\$ 9,572,932	\$ 59,661	\$ 34,883,085	\$ 3,168,502	\$ 8,990,047	\$ 817,812	\$ 63,291,701	

-- See notes to financial statements. --

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

All Governmental Fund Types and Expendable Trust Funds

For the Fiscal Year Ended June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
REVENUES:						
Taxes	\$14,125,356	\$ 1,319,005	\$	\$	\$ 6,028	\$15,450,389
Unemployment taxes					1,307,015	1,307,015
Licenses and fees	114,084	585,057			61,817	760,958
Intergovernmental	5,256,800	745,391		2,574	570,359	6,575,124
Charges for sales and services	1,613,682	128,366		12,631		1,754,679
Investment income	54,497	40,759	26,369	19,808	119,596	261,029
Lottery revenues		1,374,271				1,374,271
Lease rental principal and interest		168,579	4,808			173,387
Other	75,259	87,431	3,375	4,209	2,598	172,872
TOTAL REVENUES	<u>21,239,678</u>	<u>4,448,859</u>	<u>34,552</u>	<u>39,222</u>	<u>2,067,413</u>	<u>27,829,724</u>
EXPENDITURES:						
Current:						
General government	960,864	955,330		1,216	5,076	1,922,486
Protection of persons and property	1,365,453	12,008			62,575	1,440,036
Public health and welfare	10,441,361	690,858			2,425,899	13,558,118
Public education	5,713,531	1,857		300,201	28	6,015,617
Conservation of natural resources	272,456	175,219		20,756		468,431
Economic development and assistance	203,740	46,051		52,237		302,028
Transportation	273,731	1,921,018		71,145		2,265,894
Capital outlay	40,142	7,298		159,728		207,168
Debt service:						
Principal retirement			568,900			568,900
Interest and fiscal charges	60,046	667	426,726	40	15	487,494
TOTAL EXPENDITURES	<u>19,331,324</u>	<u>3,810,306</u>	<u>995,626</u>	<u>605,323</u>	<u>2,493,593</u>	<u>27,236,172</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,908,354</u>	<u>638,553</u>	<u>(961,074)</u>	<u>(566,101)</u>	<u>(426,180)</u>	<u>593,552</u>
OTHER FINANCING SOURCES (USES):						
Bond proceeds		75,826		727,832		803,658
Refunding bond proceeds			200,378			200,378
Operating transfers in—Note H	313,419	518,737	993,974	109,576	8	1,935,714
Operating transfers out—Note H	(1,130,165)	(1,065,250)	(23,772)	(241,830)		(2,461,017)
Payment to refunded bond escrow agent			(200,378)			(200,378)
Capital lease and installment purchase obligations	14,283					14,283
NET OTHER FINANCING SOURCES (USES)	<u>(802,463)</u>	<u>(470,687)</u>	<u>970,202</u>	<u>595,578</u>	<u>8</u>	<u>292,638</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>1,105,891</u>	<u>167,866</u>	<u>9,128</u>	<u>29,477</u>	<u>(426,172)</u>	<u>886,190</u>
FUND BALANCES (DEFICIT), JULY 1, 1991	<u>(980,936)</u>	<u>613,626</u>	<u>131,778</u>	<u>214,597</u>	<u>1,876,923</u>	<u>1,855,988</u>
RESIDUAL EQUITY TRANSFERS—NOTE H	<u>(37,500)</u>	<u>(34,831)</u>	<u>39,500</u>	<u>(30,791)</u>		<u>(63,622)</u>
FUND BALANCES, JUNE 30, 1992	<u>\$ 87,455</u>	<u>\$ 746,661</u>	<u>\$ 180,406</u>	<u>\$ 213,283</u>	<u>\$ 1,450,751</u>	<u>\$ 2,678,556</u>

— See notes to financial statements. —

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN UNRESERVED/UNDESIGNATED FUND BALANCES—
BUDGET AND ACTUAL (BUDGETARY BASIS)**

General and Budgeted Special Revenue Funds

For the Fiscal Year Ended June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	General Fund			Budgeted Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
State Programs:						
Taxes, net of refunds	\$14,142,200	\$13,920,822	\$ (221,378)	\$ 948,856	\$ 962,249	\$ 13,393
Lottery receipts .....	.....	.....	.....	756,894	800,309	43,415
Liquor store profits transfer	33,000	41,000	8,000	.....	.....	.....
Licenses and fees	52,700	56,200	3,500	469,370	468,187	(1,183)
Fines, penalties and interest	22,000	20,670	(1,330)	.....	.....	.....
Departmental services	1,626,645	1,626,645	.....	112,818	112,818	.....
Miscellaneous	125,000	139,105	14,105	105,151	82,536	(22,615)
TOTAL STATE PROGRAMS	16,001,545	15,804,442	(197,103)	2,393,089	2,426,099	33,010
Federal Programs	5,708,109	5,484,789	(223,320)	618,410	434,164	(184,246)
TOTAL REVENUES	21,709,654	21,289,231	(420,423)	3,011,499	2,860,263	(151,236)
EXPENDITURES:						
State Programs:						
General government	1,239,212	1,227,471	11,741	477,619	461,256	16,363
Protection of persons and property	1,253,124	1,231,645	21,479	222,207	216,483	5,724
Public health and welfare	5,935,914	5,782,467	153,447	643,191	586,884	56,307
Public education	6,462,668	6,423,889	38,779	1,950	1,735	215
Conservation of natural resources	234,329	226,707	7,622	.....	.....	.....
Economic development and assistance	236,257	218,003	18,254	.....	.....	.....
Transportation	279,019	272,267	6,752	1,189,062	1,186,053	3,009
TOTAL STATE PROGRAMS	15,640,523	15,382,449	258,074	2,534,029	2,452,411	81,618
Federal Programs	5,708,109	5,484,789	223,320	618,410	434,164	184,246
TOTAL EXPENDITURES	21,348,632	20,867,238	481,394	3,152,439	2,886,575	265,864
REVENUES OVER (UNDER) EXPENDITURES	361,022	421,993	60,971	(140,940)	(26,312)	114,628
OTHER FINANCING SOURCES (USES):						
Prior year lapses	38,731	38,731	.....	33,126	33,126	.....
Transfer to tax stabilization reserve fund .....	.....	(980)	(980)	.....	.....	.....
Decrease in budgeted spending authority	69,750	.....	(69,750)	.....	.....	.....
Increase in budgeted revenues .....	.....	.....	.....	44,883	.....	(44,883)
NET OTHER FINANCING SOURCES	108,481	37,751	(70,730)	78,009	33,126	(44,883)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	469,503	459,744	(9,759)	(62,931)	6,814	69,745
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), AS RESTATED, JULY 1, 1991						
— NOTE M	(450,926)	(450,926)	.....	110,966	110,966	.....
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 1992 — NOTE M ...						
	\$ 18,577	\$ 8,818	\$ (9,759)	\$ 48,035	\$ 117,780	\$ 69,745

— See notes to financial statements. —

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/FUND BALANCES
All Proprietary Fund Types and Pension Trust Funds**

For the Fiscal Year Ended June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Pension Trust— Note I	
OPERATING REVENUES:				
Sales and services	\$ 1,551,592	\$ 92,843	\$	\$ 1,644,435
Investment income	157,426	. . . .	3,867,689	4,025,115
Interest on notes and loans	277,839	. . . .	. . . .	277,839
Pension contributions .....	. . . .	. . . .	1,873,272	1,873,272
Other	14,366	13	. . . .	14,379
TOTAL OPERATING REVENUES	<u>2,001,223</u>	<u>92,856</u>	<u>5,740,961</u>	<u>7,835,040</u>
OPERATING EXPENSES:				
Cost of sales and services	1,658,564	82,630	22,887	1,764,081
Interest expense	280,172	. . . .	642	280,814
Depreciation	92,276	4,991	1,224	98,491
Bad debts	18,122	. . . .	. . . .	18,122
Benefit payments and refunds .....	. . . .	. . . .	1,664,748	1,664,748
TOTAL OPERATING EXPENSES	<u>2,049,134</u>	<u>87,621</u>	<u>1,689,501</u>	<u>3,826,256</u>
OPERATING INCOME (LOSS)	<u>(47,911)</u>	<u>5,235</u>	<u>4,051,460</u>	<u>4,008,784</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income	24,309	815	. . . .	25,124
Interest expense	(23,219)	(421)	. . . .	(23,640)
Policyholder dividends	21,564	. . . .	. . . .	21,564
Other	252	. . . .	. . . .	252
NONOPERATING REVENUES (EXPENSES), NET	<u>22,906</u>	<u>394</u>	<u>. . . .</u>	<u>23,300</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEM	<u>(25,005)</u>	<u>5,629</u>	<u>4,051,460</u>	<u>4,032,084</u>
OPERATING TRANSFERS:				
Operating transfers in—Note H	205,494	. . . .	19,678	225,172
Operating transfers out—Note H	(63,816)	. . . .	(21,568)	(85,384)
OPERATING TRANSFERS, NET	<u>141,678</u>	<u>. . . .</u>	<u>(1,890)</u>	<u>139,788</u>
INCOME BEFORE EXTRAORDINARY ITEM	<u>116,673</u>	<u>5,629</u>	<u>4,049,570</u>	<u>4,171,872</u>
Extraordinary loss on early extinguishment of debt—Note L	(45,845)	. . . .	. . . .	(45,845)
NET INCOME	<u>70,828</u>	<u>5,629</u>	<u>4,049,570</u>	<u>4,126,027</u>
RETAINED EARNINGS/FUND BALANCES, AS RESTATED, JULY 1, 1991—NOTE C	<u>1,665,885</u>	<u>29,226</u>	<u>27,483,313</u>	<u>29,178,424</u>
RESIDUAL EQUITY TRANSFER—NOTE H	<u>. . . .</u>	<u>(65)</u>	<u>. . . .</u>	<u>(65)</u>
RETAINED EARNINGS/FUND BALANCES, JUNE 30, 1992	<u>\$ 1,736,713</u>	<u>\$ 34,790</u>	<u>\$31,532,883</u>	<u>\$33,304,386</u>

— See notes to financial statements. —

COMBINED STATEMENT OF CASH FLOWS
All Proprietary Fund Types

For the Fiscal Year Ended June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
CASH USED FOR OPERATIONS:			
Operating income (loss)	\$ (47,911)	\$ 5,235	\$ (42,676)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:			
Depreciation	92,276	4,991	97,267
Amortization	4,580	.....	4,580
Provision for uncollectible accounts	17,643	.....	17,643
Nonoperating revenues	252	.....	252
Change in assets and liabilities:			
Increase in receivables	(493,699)	(533)	(494,232)
Decrease in due from other funds	1,348	1,577	2,925
(Increase)/decrease in due from other governments	(50)	267	217
Increase in inventory	(30,610)	(864)	(31,474)
Increase in other assets	(18,143)	(15)	(18,158)
Increase/(decrease) in accounts payable and accrued liabilities	3,060	(193)	2,867
Increase/(decrease) in due to other funds	43,257	(342)	42,915
Increase in due to other governments	1,671	12	1,683
Increase in deferred revenue	17,402	29	17,431
Increase in insurance loss liability	130,447	.....	130,447
Decrease in other liabilities	(34,514)	(54)	(34,568)
Total adjustments	(265,080)	4,875	(260,205)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(312,991)	10,110	(302,881)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Proceeds from issuance of notes payable and revenue bonds	810,827	.....	810,827
Principal paid on notes payable and revenue bonds	(207,701)	.....	(207,701)
Operating transfers in	205,494	.....	205,494
Operating transfers out	(63,816)	.....	(63,816)
Increase in contributed capital	44,161	.....	44,161
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	788,965	.....	788,965
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance of revenue bonds	702,087	.....	702,087
Principal paid on revenue bonds	(619,970)	.....	(619,970)
Interest paid on revenue bonds	(69,911)	(409)	(70,320)
Increases in contributed capital	124,316	.....	124,316
Decreases in contributed capital	(48,203)	.....	(48,203)
Acquisition and construction of capital assets	(343,472)	(6,059)	(349,531)
Proceeds from sale of capital assets .....	.....	1,420	1,420
Loss on disposition of capital assets	61	245	306
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(255,092)	(4,803)	(259,895)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(16,932,910)	(54,957)	(16,987,867)
Proceeds from sale and maturities of investments	16,640,713	48,903	16,689,616
Investment income	53,508	806	54,314
Investment expense	(49)	(12)	(61)
NET CASH USED FOR INVESTING ACTIVITIES	(238,738)	(5,260)	(243,998)
NET INCREASE/(DECREASE) IN CASH	(17,856)	47	(17,809)
CASH, JULY 1, 1991	46,810	441	47,251
CASH, JUNE 30, 1992	\$ 28,954	\$ 488	\$ 29,442

— See notes to financial statements. —

COMBINED STATEMENT OF CHANGES IN FUND BALANCES
College and University Funds

For the Fiscal Year Ended June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds				Total
	Unrestricted	Restricted			Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant	
REVENUES AND OTHER ADDITIONS:									
Unrestricted current funds	\$ 444,809	\$	\$	\$	\$	\$	\$	\$	\$ 444,809
Gifts and bequests	3,056			284	1,911			2,012	7,263
Grants and contracts	94,263		163		127	96			94,649
Federal advances			1,501						1,501
Endowment income		524							524
Investment income		311			2,520	177		2,649	5,775
Interest on loans receivable				590					590
Expended for plant facilities — Net of disposals (including \$16,042 charged to current funds expenditures)									
Retirement of indebtedness					256			337	80,174
Other				128	683	4,989		2,217	12,528
TOTAL REVENUES AND OTHER ADDITIONS	444,809	98,154	2,372	412	5,497	5,262	5,203	94,121	655,830
EXPENDITURES AND OTHER DEDUCTIONS:									
Educational and general	658,749	97,800							756,549
Auxiliary enterprises	101,989	199							102,188
Loan cancellations			746						746
Administrative and collection costs			431						431
Expended for plant facilities					14,546	15,085	1,844	39,335	70,810
Depreciation on plant facilities								23,177	23,177
Retirement of indebtedness								12,528	12,528
Interest on indebtedness								9,313	9,313
Other			182					7,360	8,926
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	760,738	99,371	1,359	12	14,546	15,085	23,685	69,872	984,668
TRANSFER AND ALLOCATION AMONG FUNDS — ADDITIONS (DEDUCTIONS):									
Mandatory:									
Principal and interest	(15,982)				(78)	(571)		16,631	
Other	(374)	(42)	5	43	105	263			
Nonmandatory:									
Operating transfers in from General Fund	371,013	2,612							373,625
Other	(36,616)	(86)	(182)	377	17,764	15,131		3,612	
TRANSFERS AND ALLOCATIONS, NET	318,041	2,484	(177)	420	17,791	14,823	20,243		373,625
NET INCREASE FOR THE YEAR	2,112	1,267	836	820	8,742	5,000	1,761	24,249	44,787
FUND BALANCES, JULY 1, 1991	7,647	9,841	23,123	5,751	30,619	34,831	32,425	204,484	348,721
FUND BALANCES, JUNE 30, 1992	\$ 9,759	\$ 11,108	\$ 23,959	\$ 6,571	\$ 39,361	\$ 39,831	\$ 34,186	\$ 228,733	\$ 393,508

— See notes to financial statements. —

**COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

College and University Funds

For the Fiscal Year Ended June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	\$ 299,873	\$	\$ 299,873
Government grants and contracts:			
State and local	808	37,449	38,257
Federal	1,129	54,547	55,676
Private gifts, grants and contracts	2,533	5,367	7,900
Investment income	11,254	182	11,436
Endowment income	37	466	503
Activities of educational departments	1,280	120	1,400
Other sources	13,930	23	13,953
Auxiliary enterprises	113,965	. . . .	113,965
TOTAL REVENUES	<u>444,809</u>	<u>98,154</u>	<u>542,963</u>
EXPENDITURES AND MANDATORY TRANSFERS:			
EXPENDITURES:			
Educational and general:			
Instruction	340,637	4,378	345,015
Research	482	1,141	1,623
Public service	6,700	13,007	19,707
Academic support	72,213	3,366	75,579
Student services	51,772	3,526	55,298
Operations and maintenance of plant	80,856	257	81,113
General institutional support	99,176	3,299	102,475
Student aid	6,913	68,826	75,739
TOTAL EDUCATIONAL AND GENERAL	<u>658,749</u>	<u>97,800</u>	<u>756,549</u>
Auxiliary enterprises	101,989	199	102,188
TOTAL EXPENDITURES	<u>760,738</u>	<u>97,999</u>	<u>858,737</u>
MANDATORY TRANSFERS:			
Renewal and replacement	263	. . . .	263
Principal and interest	11,774	. . . .	11,774
Other	4,319	42	4,361
TOTAL MANDATORY TRANSFERS	<u>16,356</u>	<u>42</u>	<u>16,398</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>777,094</u>	<u>98,041</u>	<u>875,135</u>
OPERATING TRANSFERS, OTHER TRANSFERS AND DEDUCTIONS:			
Operating transfers in from General Fund	371,013	2,612	373,625
Other transfers	(36,616)	(86)	(36,702)
Deductions .....	. . . .	(1,372)	(1,372)
OPERATING TRANSFERS, OTHER TRANSFERS AND DEDUCTIONS, NET	<u>334,397</u>	<u>1,154</u>	<u>335,551</u>
NET INCREASE IN FUND BALANCES	<u>\$ 2,112</u>	<u>\$ 1,267</u>	<u>\$ 3,379</u>

— See notes to financial statements. —

COMMONWEALTH OF PENNSYLVANIA**NOTE A—FINANCIAL REPORTING ENTITY**

For financial reporting purposes, in conformity with generally accepted accounting principles (GAAP), the Commonwealth includes all funds, agencies, boards, commissions and authorities over which the Commonwealth's executive or legislative branches exercise oversight responsibility. Oversight responsibility of the Commonwealth was determined on the basis of budget adoption, tax authority, funding, outstanding debt secured by revenues of the Commonwealth and authority to appoint an organization's governing board. The organization's scope of service and financing relationship with the Commonwealth were also considered in determining which organizations to include in the Commonwealth's financial reporting entity. The accompanying financial statements include all Commonwealth funds, agencies, boards and commissions required to submit an annual budget in accordance with Section 610 of the Administrative Code of 1929, as amended, and the following organizations:

- Pennsylvania Higher Educational Facilities Authority
- Pennsylvania Higher Education Assistance Agency
- Pennsylvania Housing Finance Agency
- Pennsylvania Industrial Development Authority
- Pennsylvania Infrastructure Investment Authority
- Pennsylvania Turnpike Commission
- Public School Employes' Retirement System
- State Employes' Retirement System
- State Highway and Bridge Authority
- State Public School Building Authority
- State System of Higher Education

Certain independent charitable foundations and affiliated organizations of the State System of Higher Education, including alumni associations, trusts, student government associations, bookstores and science and research centers are not included in the Commonwealth financial reporting entity. Such foundations and organizations are separate and distinct from the respective universities — they are separately incorporated, have their own charters and are governed by representatives from the private sector. The foundations and affiliated organizations are responsible for their own daily operations, debt service, personnel and financial management.

The State-Related Universities listed below are not considered part of the reporting entity since they determine their own budgets without review or modification by the Commonwealth, have the power to fix and collect charges for their services, have the responsibility to fund their own deficits, dispose of their own surplus, exercise complete autonomy over fiscal and institutional matters and may issue debt which is neither a statutory nor a moral obligation of the Commonwealth:

- Pennsylvania State University
- Temple University
- University of Pittsburgh
- Lincoln University

The Pennsylvania Municipal Retirement System is excluded from the reporting entity because the System independently fixes and collects charges for providing municipal pension benefits, receives no funds from the Commonwealth, has no continuing policy-making affiliation with the Commonwealth and exercises complete autonomy over financial, operational and personnel matters.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 which are segregated for the purpose of 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 cases by administrative action.

NOTES TO FINANCIAL STATEMENTS

NOTE B—Summary of Significant Accounting Policies (continued)

The Commonwealth has established the following fund categories, fund types and account groups:

Governmental Funds

General Fund — Accounts for all financial resources except those required to be accounted for in another fund. The General Fund is the Commonwealth's major operating fund.

Special Revenue Funds — Account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes. Although included as a Special Revenue Fund, the State Lottery Fund reports on a basis of accounting which provides results which are the same as if the full accrual method of accounting were used, except for fixed assets and related depreciation, which are not reported.

Debt Service Funds — Account for the accumulation of resources, principally transfers from other funds, for the payment of general long-term debt principal and interest.

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 and other public organizations (other than those financed by Proprietary or Fiduciary Funds).

Proprietary 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. The State Workmen's Insurance Fund is included for its fiscal year ended December 31, 1991 and the Pennsylvania Turnpike Commission for its fiscal year ended May 31, 1992.

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.

Fiduciary Funds

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 Expendable Trust Funds, Pension Trust Funds and Agency Funds. The State Employees' Retirement System, a Pension Trust Fund, and the Deferred Compensation Fund, an Agency Fund, are included for their fiscal years ended December 31, 1991.

Account Groups

General Fixed Assets Account Group — Accounts for all general fixed assets acquired or constructed for use by the Commonwealth in the conduct of its activities, except those accounted for in Proprietary Funds, Pension Trust Funds, and College and University Funds.

General Long-Term Obligations Account Group — Accounts for all long-term obligations of the Commonwealth, except those accounted for in Proprietary Funds and College and University Funds.

College and University Funds

Account for the operations of the Office of the Chancellor and the 14 state-owned universities, which comprise the State System of Higher Education, in accordance with existing authoritative accounting and reporting principles applicable to colleges and universities. Accordingly, the College and University Funds are an aggregation of the following funds:

Current Funds—Unrestricted — Account for economic resources of the institution which are expendable for any purpose in performing the primary objectives of the universities and have not been designated by the governing body for any other purpose.

NOTES TO FINANCIAL STATEMENTS

NOTE B—Summary of Significant Accounting Policies (continued)

Current Funds—Restricted — Account for resources received from donors or other outside agencies that are restricted by them for specific operating purposes.

Loan Funds — Account for resources available for loans to students, faculty or staff.

Endowment and Similar Funds — Consist of endowment funds, term endowment funds and quasi-endowment funds.

Endowment Funds — Account for resources which the donor has stipulated, as a condition of the gift instrument, that the principal amount would be maintained inviolate and in perpetuity for investment. Investment earnings may be added to the principal or expended for restricted or unrestricted purposes, based on the donor's stipulation.

Term Endowment Funds — Account for resources, all or a part of the principal of which may be expended upon the passage of time or the occurrence of a particular event.

Quasi-Endowment Funds — Account for resources that the governing board of an institution, rather than an outside source, has determined will be retained and invested. Since this is an internal designation, the Board of Governors has the right to expend the principal of these funds at any time.

Plant Funds — Account for (a) resources available to acquire or repair institutional properties and to service debt incurred to acquire such properties and (b) the cost of fixed assets and the source from which the cost is funded.

Agency Funds — Account for resources held by the institution acting in the capacity of an agent for distribution to designated beneficiaries.

Measurement Focus and Basis of Accounting (GAAP): The general, special revenue, debt service, capital projects funds (Governmental Fund Types) and expendable trust funds are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this measurement focus only current assets and current liabilities are normally included 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. Fund balance represents a measure of "available spendable resources." Under the modified accrual basis of accounting, revenues of governmental and expendable trust funds are recognized in the year that they become both measurable and available (within 60 days of fiscal year-end) to pay current fiscal year liabilities. The Commonwealth accrues the following major revenue sources that are both measurable and available:

Sales and use taxes, cigarette taxes, corporation taxes, personal income taxes, liquid fuels taxes, liquor taxes, grant revenues, investment income, institutional revenues, lottery revenues and sales of goods and services.

Revenues from other sources are recognized when received. Expenditures are generally recognized in the fiscal year the goods or services are received and the related fund liability is incurred. Debt service expenditures for principal and interest on general long-term obligations are recognized when due unless resources have been provided for payment early in the subsequent fiscal year. Prepaid items and inventory purchases are reported as current fiscal year expenditures, rather than allocating cost to the fiscal year when the items are used. Expenditures for claims, judgments, compensated absences and employer pension contributions are reported as the amount accrued during the fiscal year that normally would be liquidated with expendable available financial resources.

NOTES TO FINANCIAL STATEMENTS

NOTE B—Summary of Significant Accounting Policies (continued)

The enterprise, internal service (Proprietary Fund Types) and pension trust funds are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Under this measurement focus all assets and liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (i.e., net total assets) consists of contributed capital and retained earnings. Under the accrual basis of accounting, revenues are recognized in the fiscal year earned and expenses are recognized in the fiscal year incurred.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of operations.

The College and University Funds are reported using the "financial flow" (spending) measurement focus and the accrual basis of accounting. This treatment is in accordance with the National Association of College and University Business Officers' (NACUBO) *College and University Business Administration (1982)* and the American Institute of Certified Public Accountants' (AICPA) *Audits of Colleges and Universities (1975)* for institutions of higher education.

Basis of Accounting (Budgetary). The Commonwealth's Constitution requires that the Governor submit a budget annually to be adopted by the General Assembly for the ensuing fiscal year. The General Assembly may add, change or delete any items in the budget proposed by the Governor, but the Governor retains veto power over the individual appropriations passed by the legislature. The Governor may also reduce individual appropriations, but may not increase them. A gubernatorial veto can be overridden only by a two-thirds majority of each House of the General Assembly.

The Commonwealth's budgets are prepared essentially on a cash basis. Total appropriations enacted by the General Assembly may not exceed the ensuing fiscal year's estimated revenues, as developed by the Governor, plus (less) the unappropriated fund balance (deficit) of the preceding fiscal year, except for constitutionally authorized debt service payments.

Budgetary control is exercised at the appropriation level (legislative spending authority level). Encumbrances and expenditures cannot exceed appropriated amounts. Appropriation transfers between departments and any supplemental appropriations require both executive and legislative branch approval. Unencumbered and unexpended appropriations lapse at fiscal year end and become available for appropriation in the subsequent year. On the budgetary basis of accounting, 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, which are estimated to be owed to the Commonwealth but not collected at fiscal year end. Also, estimated encumbrances are established 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 expended in the subsequent year. Over-estimates of prior year encumbrances are lapsed in the subsequent year and under-estimates are charged to subsequent year appropriation authority. A separate document, "Status of Appropriations" for the fiscal year ended June 30, 1992 reports the level of legal control at the appropriation level for specific departmental programs and functions, and is available from the Commonwealth's Office of the Budget.

Budgets are legally adopted each fiscal year for the following funds:

- General Fund
- Special Revenue Funds:
 - State Lottery
 - Motor License
 - Workmen's Compensation Administration
 - State Public School Building Authority

The legally adopted budget for the General Fund includes \$68.1 million in supplemental appropriations approved during the fiscal year ended June 30, 1992.

NOTES TO FINANCIAL STATEMENTS

NOTE B—Summary of Significant Accounting Policies (continued)

Not all Special Revenue Funds are controlled by legally adopted budgets. Controls over spending in such Special Revenue Funds are maintained by use of spending limits (executive authorizations) established by the Governor.

The Commonwealth also makes appropriations to authorize expenditures for various capital projects. Appropriations for capital projects normally remain in effect until the completion of each project unless modified or rescinded.

Budget revenues in the accompanying Combined Statement of Revenues, Expenditures and Changes in Unreserved/Undesignated Fund Balances — Budget and Actual (Budgetary Basis) represent official estimates while expenditures represent amounts originally adopted and legally amended. Actual amounts are presented on the budgetary basis. Because the budgetary basis of accounting differs from GAAP, a reconciliation of the differences between budgetary basis and the GAAP basis of reporting is presented in Note M.

Pooled Cash: In accordance with the Pennsylvania 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.

Temporary Investments: Investments expected to be realized in cash within twelve months or less are reported as temporary investments. These investments include cash equivalents, which have original maturity dates of three months or less, are readily convertible to known amounts of cash and are subject to an insignificant amount of changes in interest rates. No investments which could be defined as cash equivalents have been treated as such on the Statement of Cash Flows; therefore, net changes in cash only are displayed. Temporary investments are stated at cost, which approximates market.

Long-Term Investments: Investments expected to be realized in cash after twelve months are reported as long-term investments. Long-term investments are stated at cost for equity securities and at amortized cost for debt securities, except for various investments of the State Employees' Retirement System and the Deferred Compensation Fund, which are stated at market value.

Grants: Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures or expenses are incurred.

Inventories: Inventories of goods, materials and supplies are maintained by the Proprietary and College and University Funds. These inventories are valued at the lower of cost or market (first-in, first-out) for Proprietary and weighted average for College and University Funds. In the governmental fund types, inventories are accounted for on the purchases method.

Fixed Assets and Depreciation: General fixed assets are reported at cost or estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. Public domain general fixed assets (including highways, bridges, highway land and rights-of-way) are not capitalized. No depreciation is provided on general fixed assets. Land and buildings used by the State System of Higher Education (SSHE), which were acquired or constructed before July 1, 1983, the inception date for the SSHE, are reported in the Commonwealth's General Fixed Assets Account Group. All general fixed assets acquired or constructed by the SSHE subsequent to June 30, 1983 without the use of university funds or incurrence of the SSHE debt are also reported in the Commonwealth's General Fixed Assets Account Group. This accounting treatment is used to conform to the enabling legislation for the SSHE, which includes the vesting of title for the SSHE property.

NOTES TO FINANCIAL STATEMENTS

NOTE B—Summary of Significant Accounting Policies (continued)

Fixed assets related to Proprietary and Pension Trust Funds are reported in those funds at cost or estimated historical cost. Depreciation is reported on a straight-line basis over the fixed assets' estimated useful lives. The following lives are used:

Buildings	10-50 years
Improvements other than buildings	5-50 years
Furniture, machinery and equipment	3-25 years

Fixed assets reported by the SSHE are stated at cost. Depreciation of SSHE fixed assets is recognized over the estimated useful life of the assets.

Amounts Available in Commonwealth Funds: The amount available for retirement of Other General Long-Term Obligations in the amount of \$5.3 million, is reported as part of fund balance, "Reserved for other" in the General Fund at June 30, 1992.

Insurance Loss Liability: The insurance loss liability represents an estimate of the ultimate net costs of unpaid claims relating to policyholders of the State Workmen's Insurance Fund, an Enterprise Fund. These loss reserves are discounted at a 4 percent rate.

Self-Insurance: The Commonwealth is uninsured for property losses and self-insured for employe disability and tort claims. Reporting of self-insurance liabilities is described in Note O.

Compensated Absences: Employes accumulate annual leave based on 2 percent to 10 percent of regular hours paid to a maximum of 45 days. Employes are paid for accumulated annual leave upon termination or retirement.

Employes accumulate sick leave based on 5 percent of regular hours paid to a maximum of 300 days. Retiring employes that meet service, age or disability requirements are paid for 30 percent of their accumulated unused sick leave.

Accumulated annual and sick leave liability payable in subsequent fiscal years from Governmental Funds and Expendable Trust Funds are reported in the General Long-Term Obligations Account Group. Proprietary, Pension Trust, and College and University Funds accrue annual and sick leave in the fiscal year earned.

Pension Costs: The Commonwealth's policy is to fund pension costs incurred and to amortize prior service costs over varying periods not exceeding 30 years.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded as a reserve of the applicable appropriation, is employed as an extension of formal budgetary integration in the Commonwealth's accounting system. Encumbrances outstanding at fiscal year end are reported as reservations of fund balance for subsequent year expenditures.

Reserves and Designations: Reserves represent portions of fund balances that are legally segregated for a specific future use or are not appropriable for expenditure.

The amount reserved for advances in the General Fund, \$70.2 million, is applicable to a demand loan to the State Stores Fund, an advance to the State Workmen's Insurance Fund, both Enterprise Funds, and an advance to the Motor License Fund, a Special Revenue Fund.

The \$14.2 million reported as "Reserved for other" in the General Fund at June 30, 1992 includes \$6.1 million for escheated property, \$5.3 million for arbitrage rebate tax and \$2.8 million for other reservations.

NOTES TO FINANCIAL STATEMENTS

NOTE B—Summary of Significant Accounting Policies (continued)

Reserved retained earnings reported for Enterprise Funds are provided principally for the retirement of revenue bonds relating to the Pennsylvania Turnpike Commission, insurance claims relating to the State Workmen's Insurance Fund, student loans relating to the Pennsylvania Higher Education Assistance Agency, and housing loans relating to the Pennsylvania Housing Finance Agency. At June 30, 1992 the Commonwealth has included the following reservations of retained earnings for the Enterprise Funds (expressed in thousands):

Pennsylvania Turnpike Commission	\$ 923,728
Pennsylvania Higher Education Assistance Agency	163,394
State Workmen's Insurance Fund	71,626
Pennsylvania Housing Finance Agency	31,078
Other funds	6,183
Total Enterprise Funds	<u>\$1,196,009</u>

Designations of unreserved fund balances reflect managerial plans for the future use of financial resources. At June 30, 1992 the Commonwealth has included the following amounts as "Designated—Other" for the Special Revenue Funds (expressed in thousands):

Special Revenue Funds:	
Land reclamation	\$ 17,756
Solid waste grants	4,264
Energy conservation and development	2,735
Other	685
Total Special Revenue Funds	<u>\$ 25,440</u>

Intergovernmental Revenues: These amounts represent revenues received principally from the Federal Government.

Tax Stabilization Reserve Fund: This fund, commonly referred to as the "Rainy Day Fund", was created in July of 1985 by Act 32 to provide financial assistance to minimize future revenue shortfalls and deficits, and promote greater continuity and predictability in the funding of vital government services. The tax stabilization reserve is not to exceed 3 percent of the estimated revenues of the General Fund. Revenue is provided through an appropriation by the General Assembly for transfer to this fund. Whenever the Governor determines a need to transfer moneys from this fund, a request for an appropriation is made to the General Assembly. An appropriation from the fund requires approval by two-thirds of the members of the General Assembly. Also, Act 35 of 1991 provides that in any fiscal year in which there is a surplus of operating funds in the General Fund, as certified by the Budget Secretary, ten percent of such surplus shall be deposited into this fund. In addition, the proceeds received from the disposition of assets of the Commonwealth are also to be deposited into this fund. For GAAP reporting purposes, this fund is reported as part of the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE B—Summary of Significant Accounting Policies (continued)

Interfund Transactions: The Commonwealth has the following types of transactions among funds:

Statutory Transfers (Operating Transfers) — Legally required transfers that are reported when incurred as “Operating transfers in” by the recipient fund and as “Operating transfers out” by the disbursing fund.

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.

Residual Equity Transfers — Nonroutine or nonrecurring transfers between funds that are reported as additions to or deductions from the fund equity balance.

Interfund Payments (Quasi-external Transactions) — Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

The composition of the Commonwealth’s interfund receivables and payables at June 30, 1992 is presented in Note H.

Totals—Memorandum Only: The “Totals (Memorandum Only)” columns represent an aggregation of the combined financial statement amounts of the fund types and account groups and are presented only for analytical purposes. These amounts are not comparable to a consolidation and do not represent the total resources available to or used by the Commonwealth. Interfund eliminations have not been made in the aggregation of the totals.

Statement of Cash Flows: There were no material investing, capital and financing activities which did not result in cash receipts or cash payments during the fiscal year, except for \$101 million of highway improvements, funded by the Motor License Fund, a Special Revenue Fund, and provided to the Pennsylvania Turnpike Commission, an Enterprise Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE C—FUND BALANCE/RETAINED EARNINGS DEFICITS/RESTATEMENTS

The State Lottery Fund, a Special Revenue Fund, reported a fund balance deficit of \$37.4 million at June 30, 1992. This deficit results from increasing expenditures for benefits for the elderly and stable lottery revenues. The Pharmaceutical Assistance Fund, a Special Revenue Fund, reported a fund balance deficit of \$1.6 million at June 30, 1992. The Agricultural Conservation Easement Purchase Fund, a Special Revenue Fund, reported a fund deficit of \$8.0 million at June 30, 1992. The State Racing Fund, a Special Revenue Fund, reported a fund balance deficit of \$102 thousand at June 30, 1992.

The Water Facilities Loan Redemption Fund and the Agricultural Conservation Easement Sinking Fund, both Debt Service Funds, reported fund balance deficits of \$37 thousand and \$41 thousand, respectively, at June 30, 1992. These two funds had no fund balance designations.

The Capital Facilities Fund and the Land and Water Development Fund, both individual funds included in the Capital Projects fund type, reported a deficit unreserved/undesignated fund balance of \$227,529 and \$2,260, respectively, at June 30, 1992. In total, the Capital Facilities Fund reported a fund balance of \$29,072, and the Land and Water Development Fund reported a fund balance deficit of \$1,828 at June 30, 1992. Total Capital Projects Funds reported reservations for encumbrances and long-term investments of \$257,033 and \$47,335, respectively, designations for Capital Projects of \$138,704 and a deficit unreserved/undesignated fund balance of \$229,789, for a total combined fund balance of \$213,283 at June 30, 1992 (amounts in thousands).

The Catastrophic Loss Benefits Continuation Fund, an Expendable Trust Fund, reported a fund balance deficit of \$29.7 million at June 30, 1992.

The Pennsylvania Infrastructure Investment Authority, an Enterprise Fund, reported contributed capital and retained earnings of \$279,494 and \$8,718, respectively, at June 30, 1991. These amounts have been restated and were decreased and increased, respectively for grant administrative expenses of \$294. As a result, restated contributed capital and retained earnings amount to \$279,200 and \$9,012, respectively, at June 30, 1991 (amounts in thousands).

The Purchasing Fund, an Internal Service Fund, reported retained earnings of \$12,219 at June 30, 1991. This balance has been restated and decreased by a net amount of \$1,238 to include the cumulative operating results of previously unreported activities in this Fund. As a result, restated retained earnings is \$10,981 at June 30, 1991 (amounts in thousands).

NOTES TO FINANCIAL STATEMENTS

NOTE D—DEPOSITS AND INVESTMENTS

Authority for Commonwealth deposits and investments: The deposit and investment policies of the Commonwealth's Treasury Department are governed by sections 301.1 and 505 of the Pennsylvania Fiscal Code (Act of 1929, P.L. 343, No. 176, amended November 16, 1985). Commonwealth deposits must be held in insured depositories approved by the Board of Finance and Revenue and must be fully collateralized. Permissible investments include direct obligations of the U.S. Treasury and U.S. Government agencies with maturities not exceeding two years; commercial paper rated "Prime One" by Moody's Credit Service or the equivalent by Standard and Poor's or Fitch's Rating Service; certificates of deposit issued by Pennsylvania banks or savings and loan associations; repurchase agreements secured by U.S. Government obligations that are held by the Treasury Department at the Federal Reserve bank; banker's acceptances; and up to a maximum of 10 percent of the book value of a fund's assets in any investment (other than common stock) not otherwise specifically authorized. It is also permissible for the Treasury Department to participate in reverse repurchase agreements, although none were outstanding at June 30, 1992.

In some cases, deposit and investment policies of certain individual funds and component units are established by statutes other than the Fiscal Code; however, all deposits, investments and reverse repurchase agreements of Commonwealth component units are specifically authorized by law.

In accordance with applicable statutory authority, the State Employees' Retirement System and the Public School Employees' Retirement System, Pension Trust Funds, have invested in common and preferred stocks, corporate and foreign bonds and notes, mortgages and real estate during their fiscal years.

Deposits: The following summary presents the amount of Commonwealth deposits which are fully insured or collateralized with securities held by the Commonwealth or its agent in the Commonwealth's name (Category 1), those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Commonwealth's name (Category 2) and those deposits which are not collateralized or are collateralized by the pledging financial institution or the pledging institution's trust department or agent, but not in the Commonwealth's name (Category 3) at June 30, 1992 (expressed in thousands).

	Category 1	Category 2	Category 3	Total Bank Balance	Carrying Amount
Cash	\$ 288,139	\$ 100,213	\$ 39,210	\$ 427,562	\$ 189,363
Cash with fiscal agents	1,010,286	.....	42,081	1,052,367	1,052,367
Certificates of deposit and related items	163,857	19,275	33,154	216,286	216,286

The above-listed \$216,286 in certificates of deposit and related items is reported as temporary investments at June 30, 1992.

Investments: The Commonwealth categorizes investments according to the level of credit risk assumed by the Commonwealth. Category 1 includes investments that are insured, registered or held by the Commonwealth or the Commonwealth's agent in the Commonwealth's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the Commonwealth's name. Category 3 includes uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the Commonwealth's name. Certain investments have not been categorized because securities are not used as evidence of the investment. These uncategorized investments include ownership interests in mutual funds and in mortgage, real estate and venture capital pools. The following summary identifies the level of credit risk assumed by the Commonwealth and the total carrying amount and market value of Commonwealth investments at June 30, 1992 (expressed in thousands).

NOTES TO FINANCIAL STATEMENTS

NOTE D—Deposits and Investments (continued)

	Carrying Amount				Market Value
	Category 1	Category 2	Category 3	Total	
Commercial paper	\$ 714,112	\$	\$ 60,471	\$ 774,583	\$ 775,316
Common and preferred stock	10,579,784	.....	1,104	10,580,888	12,006,255
Corporate bonds and notes ..	2,941,322	1,450	96,805	3,039,577	3,124,949
International fixed income ..	768,488	.....	.....	768,488	804,439
Mortgage loans	2,730,528	.....	66,540	2,797,068	2,963,300
Repurchase agreements	572,874	542,983	68,272	1,184,129	1,207,466
U.S. Government obligations	6,889,074	391,448	70,868	7,351,390	7,595,364
U.S. Government agency obligations	1,138,638	.....	90,114	1,228,752	1,257,383
Other	545,214	23,002	1,025,821	1,594,037	1,557,843
Totals	\$26,880,034	\$ 958,883	\$ 1,479,995	29,318,912	31,292,318

Add invested amounts not susceptible to credit risk categorization:

Investment pools in which State Employees' Retirement System (SERS) participates at December 31, 1991:		
Mortgage loans	722,617	722,617
Mutual funds	3,808,461	3,808,461
Real estate	838,323	838,323
Venture capital	97,075	97,075
Securities loaned by SERS at December 31, 1991:		
U.S. Government Securities	592,765	592,765
Corporate bonds and notes	38,446	38,446
Common and preferred stocks	77,015	77,015
Venture capital pool and other pooled investments in which the Public School Employees' Retirement System participates at June 30, 1992	1,497,126	1,469,480
Mutual funds in which the Pennsylvania Housing Finance Agency participates at June 30, 1992	307,614	307,614
Pooled investments in which the Pennsylvania Higher Education Assistance Agency participates at June 30, 1992	99,095	99,094
Mortgage loans owned by the Statutory Liquidator Fund at June 30, 1992	12,276	12,276
	<u>37,409,725</u>	<u>39,355,484</u>
Certificates of deposit and related items	216,286	216,286
Total temporary and long-term investments	\$37,626,011	\$39,571,770

The above-listed \$216,286 in CD's are reported as investments at June 30, 1992 but have been treated as deposits for a determination of the level of credit risk associated with them.

Included in the above-listed \$1,025,821 of "other" investments included in Credit Risk Category 3 are \$667,313 of investments owned by the State Employees' Retirement System, the Deferred Compensation Fund and the State Workmen's Insurance Fund, which report their investments at December 31, 1991 in the State Treasury pool.

The Pension Trust Funds own approximately 100 percent of the common and preferred stock, 88 percent of the corporate bonds and notes, 96 percent of mortgage loans and 100 percent of the real estate reported in the above summary. There were no violations of statutory authority or contractual provisions for investments during the year ended June 30, 1992.

NOTES TO FINANCIAL STATEMENTS

NOTE E—FIXED ASSETS

A summary of fixed assets by category at June 30, 1992 is as follows (expressed in thousands):

	Enterprise Funds	Internal Service Funds	Pension Trust Funds	General Fixed Assets Account Group	College and University Funds
Land	\$ 72,291	\$ 6	\$	\$ 222,520	\$ 3,889
Buildings	75,934	3,167	. . . .	2,183,740	147,548
Improvements other than buildings	56,585	487	. . . .	152,356	18,961
Furniture, machinery and equipment	199,382	41,904	10,108	452,814	257,786
Turnpike infrastructure	1,524,543	. . . .	. . . .	. . . .	. . . .
Construction in progress	464,344	. . . .	. . . .	157,072	44,516
Total	<u>\$2,393,079</u>	<u>\$ 45,564</u>	<u>\$ 10,108</u>	<u>\$ 3,168,502</u>	<u>\$ 472,700</u>

Changes in general fixed assets for the fiscal year ended June 30, 1992 are as follows (expressed in thousands):

	Balance June 30, 1991	Additions	Retirements	Balance June 30, 1992
Land	\$ 216,446	\$ 6,177	\$ 103	\$ 222,520
Buildings	2,071,541	133,079	20,880	2,183,740
Improvements other than buildings	152,482	95	221	152,356
Furniture, machinery and equipment	440,204	39,137	26,527	452,814
	<u>2,880,673</u>	<u>178,488</u>	<u>47,731</u>	<u>3,011,430</u>
Construction in progress	130,961	158,113	132,002	157,072
Totals	<u>\$3,011,634</u>	<u>\$ 336,601</u>	<u>\$ 179,733</u>	<u>\$ 3,168,502</u>

Interest costs of \$27.7 million were capitalized for the Enterprise Funds for the fiscal year ended June 30, 1992.

The Commonwealth's initial valuation of general fixed assets was made as of June 30, 1986 using appraisal and historical cost reconstruction techniques. Subsequent to June 30, 1986 general fixed asset acquisitions are valued at cost. At June 30, 1992 the amount of general fixed assets related to the initial valuation amounts to \$2,049 million.

Construction in progress included in the General Fixed Assets Account Group at June 30, 1992 is composed of the following (expressed in thousands):

Project	Project Authorization	Expended Through June 30, 1992	Authorization Available
Department of Corrections Institutions	\$ 299,782	\$ 29,925	\$ 269,857
Colleges and Universities	99,602	19,378	80,224
Capitol Complex Buildings	78,683	50,054	28,629
Department of Public Welfare Institutions	52,713	20,142	32,571
State Parks Construction	33,602	14,777	18,825
Other	73,638	22,796	50,842
Total	<u>\$ 638,020</u>	<u>\$ 157,072</u>	<u>\$ 480,948</u>

NOTE F—DUE FROM OTHER GOVERNMENTS

This receivable represents amounts due primarily from the Federal Government for various departmental programs.

NOTES TO FINANCIAL STATEMENTS

NOTE G — TAXES, LOANS AND LEASE RENTAL RECEIVABLES

Taxes Receivable: Taxes receivable at June 30, 1992 consisted of the following (expressed in thousands):

	General Fund	Special Revenue Funds	Trust and Agency Funds	Total
Sales and use	\$ 421,753	\$	\$	\$ 421,753
Unemployment compensation .....	. . . . .	. . . . .	302,950	302,950
Personal income	183,063	. . . . .	. . . . .	183,063
Corporation	70,629	15,648	. . . . .	86,277
Liquid fuels .....	. . . . .	66,101	3,392	69,493
Other	19,476	62,813	. . . . .	82,289
	<u>\$ 694,921</u>	<u>\$ 144,562</u>	<u>\$ 306,342</u>	<u>\$ 1,145,825</u>

Loans Receivable: Loans receivable at June 30, 1992 consisted of the following (expressed in thousands):

	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	College and University Funds	Total
Mortgage loans	\$	\$	\$1,882,797	\$	\$1,882,797
Student loans .....	. . . . .	. . . . .	1,259,280	26,948	1,286,228
Business development loans . . .	26,006	. . . . .	562,421	. . . . .	588,427
Municipal water system loans . .	54,432	. . . . .	473,577	. . . . .	528,009
Nursing home loans	30,424	. . . . .	. . . . .	. . . . .	30,424
School district loans .....	. . . . .	1,495	. . . . .	. . . . .	1,495
Other loans	3,437	. . . . .	48,369	. . . . .	51,806
	114,299	1,495	4,226,444	26,948	4,369,186
Less: Allowance for uncollectible accounts	7,791	. . . . .	88,618	4,037	100,446
Loans receivable, net	<u>\$ 106,508</u>	<u>\$ 1,495</u>	<u>\$4,137,826</u>	<u>\$ 22,911</u>	<u>\$4,268,740</u>

Lease Rentals Receivable: The Pennsylvania Higher Educational Facilities Authority and State Public School Building Authority finance construction projects for educational institutions through the issuance of bonds and other obligations, the principal and interest of which are paid through the collection of lease rental payments related to the projects. Also, the Capital Facilities Fund, a Capital Projects Fund, finances construction projects for educational institutions through the issuance of General Obligation Bonds, the principal and interest of which are paid through the collection of lease rental payments and deposited in their related debt service funds. At the conclusion of the lease terms, the project facilities are conveyed to the educational institutions. Accordingly, these lease arrangements are classified as direct financing leases. Lease rental receivables and associated deferred revenue equal to the principal lease payments to be received are recorded in the Special Revenue and Debt Service Funds relating to these arrangements. The total minimum lease payments to be received was \$3,526 million and the present value of the lease payments was \$1,798 million at June 30, 1992, the difference representing interest of \$1,728 million. Minimum lease payments for the five fiscal years succeeding June 30, 1992 are as follows (expressed in millions):

Fiscal Year Ending June 30	Amount
1993	\$178
1994	179
1995	167
1996	166
1997	186

NOTES TO FINANCIAL STATEMENTS

NOTE H—INTERFUND ACCOUNTS/OPERATING TRANSFERS/RESIDUAL EQUITY TRANSFERS

A summary of interfund receivables and payables reported on the combined balance sheet at June 30, 1992 is as follows (expressed in thousands):

FUND TYPE/FUND	DUE FROM	DUE TO
General	\$ 41,678	\$ 257,785
Special Revenue:		
Pennsylvania Economic Revitalization Fund	15,707	516
Agricultural Conservation Easement Fund .....	.....	6,050
Hazardous Sites Clean-up Fund	20,723	213
Motor License Fund	4,969	17,122
State Lottery Fund	3,497	396
Other Funds	2,470	9,482
	47,366	33,779
Debt Service:		
Tax Note Sinking Fund .....	.....	6,182
Pennsylvania Infrastructure Investment Authority Redemption Fund	39,593	.....
Other Funds	184	1
	39,777	6,183
Capital Projects:		
Capital Facilities Fund .....	.....	2,626
Land and Water Development Fund	129	50
	129	2,676
Enterprise:		
Pennsylvania Turnpike Commission	21,564	2,676
Pennsylvania Infrastructure Investment Authority .....	.....	39,640
State Stores Fund .....	.....	19,694
State Workmen's Insurance Fund	166	1,837
Other Funds	1,499	1,826
	23,229	65,673
Internal Service:		
Purchasing Fund	7,851	165
Manufacturing Fund	1,880	150
	9,731	315
Expendable Trust:		
Catastrophic Loss Benefits Continuation Fund .....	.....	11,500
Unemployment Compensation Fund	2,012	.....
Workmen's Compensation Security Trust Fund	11,492	2
Other Funds	1	.....
	13,505	11,502
Pension Trust:		
State Employees' Retirement System	126,074	156
Public School Employees' Retirement System	148,315	514
	274,389	670
Agency	2,770	988
College and University	112,594	119,730
TOTAL	\$ 565,168	\$ 499,301

NOTES TO FINANCIAL STATEMENTS

NOTE H—Interfund Accounts/Operating Transfers/Residual Equity Transfers (continued)

The amount of total interfund receivables of \$565,168 does not agree with total interfund payables of \$499,301 at June 30, 1992 due to different fiscal year ends for certain funds included in the combined balance sheet at June 30, 1992. The amounts shown as interfund accounts for the State Employees' Retirement System, a Pension Trust Fund, and the Deferred Compensation Fund, an Agency Fund, are as of their fiscal year end of December 31, 1991. The amounts shown for the State Workmen's Insurance Fund and the Pennsylvania Turnpike Commission, Enterprise Funds, are as of their respective fiscal year ends of December 31, 1991 and May 31, 1992. The following presents a reconciliation of interfund accounts reported at June 30, 1992 (expressed in thousands) and those amounts which would have been reported if all funds used the same fiscal year end:

Due from other funds - Combined Balance Sheet at June 30, 1992	\$565,168
Pennsylvania Turnpike Commission decrease in receivables from June 1, 1992 through June 30, 1992	(18,360)
State Workmen's Insurance Fund decrease in receivables from January 1, 1992 through June 30, 1992	(162)
State Employees' Retirement System decrease in receivables from January 1, 1992 through June 30, 1992	<u>(48,531)</u>
DUE FROM OTHER FUNDS	<u>\$498,115</u>
Due to other funds - Combined Balance Sheet at June 30, 1992	\$499,301
Deferred Compensation Fund decrease in payables from January 1, 1992 through June 30, 1992	(235)
State Employees' Retirement System increase in payables from January 1, 1992 through June 30, 1992	144
State Workmen's Insurance Fund decrease in payables from January 1, 1992 through June 30, 1992	(1,411)
Pennsylvania Turnpike Commission increase in payables from June 1, 1992 through June 30, 1992	<u>316</u>
DUE TO OTHER FUNDS	<u>\$498,115</u>

NOTES TO FINANCIAL STATEMENTS

NOTE H—Interfund Accounts/Operating Transfers/Residual Equity Transfers (continued)

A summary of operating transfers reported for the fiscal year ended June 30, 1992 is as follows (expressed in thousands):

<u>FUND TYPE/FUND</u>	<u>OPERATING TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
General	\$ 313,419	\$1,130,165
Special Revenue:		
State Lottery Fund	15,989	224,644
Motor License Fund	114,034	535,928
State Public School Building Authority	52,254	102,213
Pharmaceutical Assistance Fund	204,925	.....
Vocational Rehabilitation Fund	16,685	.....
Pennsylvania Economic Revitalization Fund	54,244	327
Pennsylvania Higher Educational Facilities Authority	57,159	179,862
Water Facilities Loan Fund .....	.....	7,828
Other Funds	3,447	14,448
	<u>518,737</u>	<u>1,065,250</u>
Debt Service:		
Land and Water Development Sinking Fund	36,355	.....
Water Facilities Loan Redemption Fund	15,257	.....
Capital Debt Fund	678,323	.....
Pennsylvania Higher Educational Facilities Authority	156,886	14,887
State Public School Building Authority	55,533	4,968
Disaster Relief Redemption Fund	10,655	.....
Pennsylvania Economic Revitalization Sinking Fund	11,942	.....
Other Funds	29,023	3,917
	<u>993,974</u>	<u>23,772</u>
Capital Projects:		
Capital Facilities Fund .....	.....	112,308
Pennsylvania Higher Educational Facilities Authority	107,464	126,760
State Public School Building Authority	2,112	2,718
Land and Water Development Fund .....	.....	44
	<u>109,576</u>	<u>241,830</u>
Enterprise Funds:		
State Workmen's Insurance Fund .....	.....	10,000
State Stores Fund .....	.....	41,816
Pennsylvania Higher Education Assistance Agency	205,494	.....
Other Funds .....	.....	12,000
	<u>205,494</u>	<u>63,816</u>
Expendable Trust:		
State School Fund	8	.....
Pension Trust:		
State Employees' Retirement System	13,384	4,534
Public School Employees' Retirement System	6,294	17,034
	<u>19,678</u>	<u>21,568</u>
College and University	373,625	.....
TOTAL	<u>\$2,534,511</u>	<u>\$2,546,401</u>

NOTES TO FINANCIAL STATEMENTS

NOTE H—Interfund Accounts/Operating Transfers/Residual Equity Transfers (continued)

The amount of total operating transfers in of \$2,534,511 does not agree with total operating transfers out of \$2,546,401 for the fiscal year ended June 30, 1992 due to different fiscal year ends for certain funds included in the financial reporting entity. The amounts shown as operating transfers for the State Employees' Retirement System, a Pension Trust Fund, and the State Workmen's Insurance Fund, an Enterprise Fund, are for their fiscal year end of December 31, 1991. The following presents a reconciliation of operating transfers reported in the financial statements to those transfer amounts which would have been reported if all funds used the same fiscal year end (expressed in thousands):

Total operating transfers in - all funds	\$2,534,511
State Employees' Retirement System increase in operating transfers in from the period January 1, 1992 through June 30, 1992	3,650
TOTAL OPERATING TRANSFERS IN	<u>\$2,538,161</u>
 Total operating transfers out - all funds	 \$2,546,401
State Workmen's Insurance Fund decrease in operating transfers out from the period January 1, 1992 to June 30, 1992	(10,000)
State Employees' Retirement System increase in operating transfers out from the period January 1, 1992 to June 30, 1992	1,760
TOTAL OPERATING TRANSFERS OUT	<u>\$2,538,161</u>

The Combined Statement of Cash Flows — All Proprietary Fund Types displays increases in contributed capital of \$44,161 (from noncapital financing activities), increases in contributed capital of \$124,316 and decreases in contributed capital of \$48,203 (from capital and related financing activities), for a net increase in contributed capital of \$120,274 (in thousands). The following summary reconciles this net increase of \$120,274 with net residual equity transfers out of \$63,622 displayed on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances — All Governmental Fund Types and Expendable Trust Funds for the fiscal year ended June 30, 1992 (in thousands):

Net increase in contributed capital for proprietary fund types	\$ 120,274
less: general obligation bond proceeds received by the Volunteer Companies Loan Fund	(22)
less: general obligation bond proceeds received by the PA Infrastructure Investment Authority	(47,857)
less: federal funds received by the PA Infrastructure Investment Authority for program grants	(17,451)
add: federally-funded PA Infrastructure Investment Authority program grants to subrecipients	8,610
add: other items	<u>68</u>
 Net governmental and expendable trust funds residual equity transfers out	 <u>\$ 63,622</u>

The Purchasing Fund, an Internal Service Fund, transferred \$65 thousand of net fixed assets to the Historical Preservation Fund, a Special Revenue Fund, during the fiscal year ended June 30, 1992. These fixed assets are reported in the General Fixed Assets Account Group at June 30, 1992.

NOTES TO FINANCIAL STATEMENTS

NOTE I--RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS

PENSION SYSTEMS

The Commonwealth has contributory defined benefit pension plans covering substantially all state employes, public school employes and employes of certain other state-related organizations. State employes and employes of state-related organizations are members of the State Employes' Retirement System (SERS). Public school employes are members of the Public School Employes' Retirement System (PSERS).

The SERS follows the accounting and reporting requirements of the Financial Accounting Standards Board's (FASB) Statement 35 and the PSERS follows the National Council on Governmental Accounting's Statement 1. Both the SERS and the PSERS currently follow the disclosure requirements of the Governmental Accounting Standards Board's (GASB) Statement 5, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers." FASB Statement 35 provides authoritative guidance on accounting and financial reporting for defined benefit public employe retirement systems and GASB Statement 5 provides disclosure guidance. The following summaries present disclosure requirements for both the SERS and the PSERS for their fiscal years ended December 31, 1991 and June 30, 1992, respectively.

Since the SERS reports under the provisions of FASB Statement 35, a statement of changes in net assets available for benefits has not been presented separately. Financial information which would have been presented in such a statement is included in the Combined Statement of Revenues, Expenses and Changes in Fund Balances for Pension Trust Funds.

STATE EMPLOYES' RETIREMENT SYSTEM

Plan Description: The SERS is the administrator of a cost-sharing multiple-employer retirement system established by the Commonwealth of Pennsylvania (Commonwealth) to provide pension benefits for employes of state government and certain independent agencies. At December 31, 1991 there were 108 participating state and independent agencies. At December 31, 1991 the actuarially-computed annualized covered payroll was \$3,120 million. For the same period, the covered payroll for agencies included in the Commonwealth's financial reporting entity was \$2,871 million, or 93 percent of total payroll of \$3,090 million, for the Commonwealth's financial reporting entity.

Membership in the SERS is mandatory for most state employes, members and employes of the legislature and certain elected persons in the executive branch. Certain other employes are not required, but are given the option to participate. At December 31, 1991 the SERS membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employes entitled to benefits but not yet receiving benefits	84,936
Current employes:	
Vested	62,547
Nonvested	42,104
Total members	<u>189,587</u>

The SERS provides retirement, death, and disability benefits. Retirement benefits vest after 10 years of credited service. Employes who retire at age 60 or, if under age 60 with 35 years of service, are entitled to an unreduced annual retirement benefit. Members of the legislature and certain law enforcement officers can retire with full benefits at age 50.

The general annual benefit is 2 percent of the member's high-three year average salary times years of service. Members of the legislature who were members of the SERS before March 1, 1974 are entitled to a benefit of 7.5 percent of average salary for each year of legislative service. Judges are entitled to a benefit of 3 to 4 percent of average salary for each year of judicial service.

Covered employes are required by statute to contribute to the SERS at a rate of 5 percent of their gross pay except for employes hired on or after July 22, 1983 who contribute at a rate of 6.25 percent of their gross pay. Increased contributions are required of the previously noted legislators and judges (18.75 percent and 7.5 to 10 percent of gross pay, respectively) who are entitled to increased benefits. The contributions are recorded in an individually identified account which is also credited with interest, calculated quarterly to yield 4 percent per annum, as mandated by statute. Accumulated employe contributions and credited interest, which amounted to \$1,973 million as of December 31, 1991, vest immediately and are returned upon termination of service if the employe is not eligible for other benefits.

NOTES TO FINANCIAL STATEMENTS

NOTE I—Retirement and Other Postemployment Benefits (continued)

Participating agency contributions are also mandated by statute and are based upon an actuarially determined percentage of gross pay that is necessary to provide the SERS with assets sufficient to meet the benefits to be paid to SERS members. According to the retirement code, all obligations of the SERS will be assumed by the Commonwealth should the SERS terminate.

At December 31, 1991 the SERS owned 153,200,309 units of the Wells Fargo Bank Equity Index Fund P and 32,354,258 units of the Wells Fargo Asset Allocation Fund, with respective carrying amounts of \$2,004 million and \$852 million. The Equity Index Fund P represents 17 percent and the Asset Allocation Fund represents 7 percent of net SERS assets at December 31, 1991. The SERS owned no securities issued by the Commonwealth or related parties and made no loans to the Commonwealth or related parties during the year ended December 31, 1991.

Funding Status and Progress: The amount shown as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employe service to date. The measure is the actuarial present value of credited projected benefits and is intended, on an ongoing basis, to facilitate the assessment of the SERS funding status and progress made in accumulating sufficient assets to pay benefits when due and to allow for appropriate comparison of this data among public employe retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the SERS as discussed below.

The pension benefit obligation was determined as part of an actuarial valuation at December 31, 1991. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 9.25 percent per year compounded annually, (b) projected salary increases of 4 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 2.5 percent per year, attributable to merit/promotion, and (d) no postretirement benefit increases.

Net assets in excess of the pension benefit obligation at December 31, 1991 totalled \$1,475 million as calculated below (expressed in thousands):

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving benefits	\$ 4,621,861
Current employes:	
Accumulated member contributions with interest	1,973,197
Employer-financed, vested	3,532,144
Employer-financed, nonvested	337,681
Total pension benefit obligation	<u>10,464,883</u>
Net assets available for benefits (at market value)	<u>11,940,082</u>
Net assets in excess of pension benefit obligation	<u>\$ 1,475,199</u>

Contributions: The SERS funding policy provides for periodic member contributions at statutory rates and employer contributions at actuarially determined rates (expressed as a percentage of annual gross pay) that are sufficient to accumulate assets to pay benefits when due. All required 1991 contributions were made.

NOTES TO FINANCIAL STATEMENTS

NOTE I—Retirement and Other Postemployment Benefits (continued)

Employer contribution rates are determined using the entry age normal actuarial cost method, with amortization of the unfunded actuarial liability (\$148 million) and of the supplemental annuities arising from cost of living and other adjustments over varying periods ending June 30, 2011. These rates are computed on a Commonwealth fiscal year basis such that employer contribution rates in effect for the SERS for 1991 reflect a blended average of those in effect through June 30, 1991 and subsequent to that date, as calculated based upon actuarial valuations prepared as of December 31, 1989 and December 31, 1990, respectively. The actuarially determined contribution requirement for the year ended December 31, 1991 consisted of (amounts in thousands):

	% of Current Covered Payroll	Amount
Employer normal cost.....	6.28	\$195,905
Amortization of unfunded actuarial liability	3.33	103,880
Amortization of supplemental annuities	1.48	46,169
Total contribution requirement	<u>11.09</u>	<u>\$345,954</u>

Member contributions amounted to \$183 million, or 5.7 percent and employer contributions amounted to \$381 million, or 11.8 percent, of total actual covered payroll of \$3,221 million, for the year ended December 31, 1991. Total employer contributions of \$381 million exceeded the above actuarially determined contribution requirement of \$346 million due to employer contributions related to employe purchases of prior service cost and employer contributions related to the transfer of prior employe service from the Public School Employees' Retirement System to the SERS. Total employer contributions amounted to \$331 million for the fiscal year ended June 30, 1992, of which \$301 million relates to agencies included in the Commonwealth's financial reporting entity. The Commonwealth employer contributions of \$301 million approximate 91 percent of total employer contributions of \$331 million.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation as described above, except for a statutorily-required rate of return on investments of 5.5 percent per annum and certain revisions to salary increase assumptions.

THREE-YEAR HISTORICAL TREND INFORMATION

	Year Ended December 31		
	1991	1990	1989
Net assets available for benefits as a percentage of the pension benefit obligation applicable to covered employes	114.1%	103.7%	111.4%
Assets in excess of pension benefit obligation as a percentage of the SERS's annual covered payroll	47.2	10.9	33.5
Employer contributions to the pension plan as a percentage of annual covered payroll ...	12.2	13.1	13.8

All required contributions were made, in accordance with actuarially determined requirements, for each of the three years ended December 31, 1991, 1990 and 1989.

Ten-year historical trend information is available in separate financial reports issued by the SERS. These separately issued reports include information about progress made in accumulating sufficient assets to pay benefits when due.

NOTES TO FINANCIAL STATEMENTS

NOTE I—Retirement and Other Postemployment Benefits (continued)

The following information is presented in accordance with the reporting requirements of FASB Statement 35.

The calculation of actuarial liabilities under GASB Statement 5 (the pension benefit obligation presented above) differs principally by the consideration of future salary increases from the calculation required under FASB Statement 35 of the actuarial present value of accumulated plan benefits presented below.

The accumulated plan benefit information as of December 31, 1991 is as follows (expressed in thousands):

Actuarial present value of accumulated plan benefits:	
Vested benefits:	
Participants currently receiving payments	\$ 4,859,617
Other participants	5,496,969
	10,356,586
Nonvested benefits	188,735
Total	\$10,545,321

Changes in accumulated plan benefits as of December 31, 1991 are as follows (expressed in thousands):

Actuarial present value of accumulated plan benefits at December 31, 1990	\$ 8,780,697
Changes during the year attributable to:	
Passage of time	694,552
Plan provision changes	189,538
Change in interest rate and salary assumptions ...	880,534
Net increase	1,764,624
Actuarial present value of accumulated plan benefits at December 31, 1991	\$10,545,321

The significant actuarial assumptions used in the valuation of the actuarial present value of accumulated plan benefits as of December 31, 1991 are as follows:

Mortality	
Superannuation (normal retirement) and early retirement	The 1971 Group Annuity Mortality Table
Disability	Modifications of the Federal Civil Service Disability Mortality Table
Assumed rate of return on investments	6.50%

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Plan Description: The Commonwealth of Pennsylvania Public School Employees' Retirement System (System) was established July 18, 1917 under the provision of P.L. 1043, No. 343. The System is a cost-sharing multiple-employer plan and its designated purpose is to provide retirement allowances and other benefits, including disability and death benefits, to members. As defined by GASB Statement 5, the Commonwealth is a non-employer contributor to the System.

Membership in the System is mandatory for substantially all full-time public school employees in the Commonwealth. Certain part-time employees are eligible for membership in the System. At June 30, 1992 there were 633 reporting units, generally school districts. Membership as of June 30, 1991, the most recent year for which actual amounts are available, consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employes entitled to benefits but not yet receiving benefits	136,000
Current employes:	
Vested	123,000
Nonvested	80,000
Total members	339,000

NOTES TO FINANCIAL STATEMENTS

NOTE I—Retirement and Other Postemployment Benefits (continued)

During the fiscal year ended June 30, 1992, the covered payroll for public school employees was \$6,357 million. Total payroll for public school employees was substantially the same. The annualized covered payroll at June 30, 1991, the date of the most recent actuarial valuation, was \$5,745 million.

Significant amendments to the System were made in the 1975 revision of the Pennsylvania Public School Employees' Retirement Code ("The Code") by the Pennsylvania General Assembly. Under the provisions of the Code, members are eligible for monthly retirement benefits upon reaching (a) age 62, (b) age 60 and 30 or more years of service, or (c) 35 or more years of service regardless of age. For the period expiring on June 30, 1993, the Code permits school employees with at least 30 years of credited service to retire without a reduction in benefits. This so-called "early retirement window" does not require a minimum age in conjunction with length of service for a member to be eligible for full benefits.

Funding Status and Progress: The amount shown as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the System.

The pension benefit obligation was determined as part of an actuarial valuation at June 30, 1991, the date of the most recent actuarial report. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.50 percent per year compounded annually, (b) projected salary increases of 7.50 percent, including an allowance for inflation of 4 percent, National productivity of 1 percent and merit or seniority increases averaging 2.50 percent, (c) assets valued at five-year moving average market value, (d) no postretirement benefit increases assumed in the future, and (e) mortality, vesting, retirement age and withdrawal estimates based on tables furnished by the actuary.

At June 30, 1991 the unfunded pension benefit obligation was \$3,353 million as follows (expressed in thousands):

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving benefits	\$ 6,562,726
Current members:	
Accumulated member contributions with interest....	3,557,218
System-financed vested	3,384,107
System-financed nonvested	7,446,481
Total pension benefit obligation	20,950,532
Net assets available for benefits, at cost (market value is \$18,613,839)	17,597,400
Unfunded pension benefit obligation	<u>\$ 3,353,132</u>

Ten-year historical trend information is available in separate financial reports issued by the System. These separately issued reports include information about progress made in accumulating sufficient assets to pay benefits when due.

NOTES TO FINANCIAL STATEMENTS

NOTE I—Retirement and Other Postemployment Benefits (continued)

Contributions: The contribution policy is set by the Code and requires contributions by active members, employers and the Commonwealth. The rate of contribution for most active members is set by statute at 5.25 percent of the member's compensation. For members joining the system on or after July 22, 1983 the rate of contribution is 6.25 percent. The contributions required of employers and the Commonwealth are based upon an actuarial valuation, using the "entry age normal" method, computed as a percentage of the total compensation of all active members during the period for which the amount is determined.

A health insurance premium assistance program was established effective July 1, 1991 for all eligible annuitants who elect to participate. Under this provision an employer contribution rate of .50 percent for premium assistance is to be established for the fiscal year beginning July 1, 1991 in order to provide reserves in the Health Insurance Account as of June 30, 1992 which are sufficient for the payment of premium assistance during the fiscal year beginning July 1, 1992. Effective July 1, 1992 participating eligible annuitants are to receive premium assistance payments equal to the lesser of \$55 per month or the actual monthly premium.

Effective July 1, 1991 the combined contribution rate was decreased to 14.90 percent of covered payroll. The rate of 14.90 percent is comprised of a pension contribution rate of 14.40 percent for pension benefits plus a health care contribution rate of .50 percent for health insurance premium assistance. The components of this contribution rate, and the related amounts are summarized as follows (amounts in thousands):

	<u>% of Current Covered Payroll</u>	<u>Amount</u>
Employer normal cost	8.00	\$ 516,471
Amortization of unfunded actuarial accrued liability ..	4.28	276,095
Amortization of supplemental annuities	2.12	136,758
Health care contribution rate .....	.50	31,720
Total contribution requirement	14.90	\$ 961,044

The employer and the Commonwealth equally share the cost of required contributions and all required contributions were made. For the fiscal year ended June 30, 1992 Commonwealth school districts contributed \$475 million and the Commonwealth contributed \$486 million to the System. The Commonwealth contribution approximates 7.6 percent of current covered payroll. Employee contributions of \$338 million approximate 5.9 percent of covered payroll of \$5,745 million for the year ended June 30, 1991, the most recent year for which actual amounts are available.

Effective July 1, 1992 the combined contribution rate was decreased to 14.24 percent of covered payroll. The rate of 14.24 percent is comprised of a pension contribution rate of 13.74 percent for pension benefits plus a health care contribution rate of .50 percent for health insurance premium assistance.

NOTES TO FINANCIAL STATEMENTS

NOTE I—Retirement and Other Postemployment Benefits (continued)

A summary of the July 1, 1992 combined rate follows:

Combined contribution rate, July 1, 1991.....	14.90%
Less: change in asset valuation method from cost basis to 5 year moving average market value.....	(.35)
Less: favorable actuarial experience.....	<u>(.31)</u>
Combined contribution rate, July 1, 1992.....	<u>14.24%</u>

Based on the June 30, 1991 valuation, the unfunded actuarial liability is \$4,612 million and the average funding period to amortize this liability is 20 years at July 1, 1991.

During the fiscal year ended June 30, 1992 the System owned no securities issued by school districts, the Commonwealth or any related parties and made no loans to school districts, the Commonwealth or any related party.

OTHER POSTEMPLOYMENT BENEFITS

The Commonwealth provides certain health care benefits for retired employees that meet specified length-of-service and age requirements. These benefits are provided as a result of negotiated union contracts and through administrative policy. These benefits are provided through insurance companies whose premiums are based on the benefits paid during the fiscal year. The Commonwealth recognizes the cost of providing these benefits as paid, which totalled \$141 million for the fiscal year ended June 30, 1992. Approximately 48,000 individuals qualified for this benefit during the fiscal year.

The Commonwealth also provides a variety of other postemployment benefits, including unemployment compensation, workmen's compensation, disability life insurance and certain benefits to beneficiaries of the state police officers killed in the line of duty. The Commonwealth is presently unable to quantify the amount of expenditures related to these other postemployment benefits for the fiscal year ended June 30, 1992.

NOTES TO FINANCIAL STATEMENTS

NOTE J--NOTES AND DEMAND REVENUE BONDS PAYABLE

The Pennsylvania Housing Finance Agency (PHFA), an Enterprise Fund, maintains a line of credit agreement with the Pennsylvania Treasury Department. Under the agreement, PHFA may borrow up to \$20 million. At the time funds are drawn, interest rates are fixed at 2 points below the current prime rate as listed by Morgan Guaranty Bank of New York. These funds may be used for multi-family programs. At June 30, 1992, \$5 million was owed at 6.5 percent against this line of credit. The PHFA also borrowed \$200 million under an agreement with the Treasury department for mortgage loan programs. At June 30, 1992, \$1.8 million is owed at the interest rate of 4 percent and \$68.8 million is owed at the interest rate of 3.95 percent. Total reported notes payable at June 30, 1992 for the PHFA is \$75.6 million.

The Pennsylvania Higher Education Assistance Agency (PHEAA), an Enterprise Fund, has \$385.0 million of demand revenue bonds outstanding and \$437.7 million of notes payable at June 30, 1992. Demand revenue bonds at June 30, 1992 consist of the following (expressed in thousands):

	Student Loan Adjustable Rate Tender Revenue Bonds 1988 Series D	Student Loan Adjustable Rate Tender Revenue Bonds 1988 Series B	Student Loan Adjustable Rate Tender Revenue Bonds 1988 Series A	Student Loan Revenue Bonds 1984 Series A
Amount issued	\$75,000	\$110,000	\$100,000	\$100,000
Date of issue	12/23/88	7/29/88	1/28/88	7/19/84
Interest rate	2.7%	2.8%	3.4%	2.3%
Due date	1/1/19	7/1/18	1/1/18	12/1/00
Letter of credit:				
Principal amount	\$81,562	\$119,625	\$106,904	\$103,082
Expiration date	12/31/93	7/31/93	1/31/93	12/15/00

The 1988 bonds bear interest at an adjustable rate determined by PHEAA's remarketing agent based upon prevailing market conditions and is reset weekly. The 1984 bonds bear interest at a fluctuating rate based on the remarketing rate of the J.J. Kenny Index and is also reset weekly. All bonds are subject to purchase, at par plus accrued interest, by PHEAA on the demand of the bondholders upon seven days prior irrevocable written notice. None of the letters of credit pertaining to PHEAA's demand revenue bonds have been used as of June 30, 1992.

Notes payable for PHEAA at June 30, 1992 consist of the following (expressed in thousands):

Dauphin County General Authority Revenue Bond. Interest is a weighted average rate of 6.8 percent. Interest is paid semi-annually on March 1 and September 1. Principal is due through 2009	\$ 6,625
Amount due under revolving credit agreement dated February 1, 1991 through February 15, 1993. Interest rate at June 30, 1992 was 4.6 percent. Principal not to exceed \$50 million. Secured by student loans	49,401
Unsecured note payable with interest rate at 7.4 percent, with annual payments of principal and interest through 1995	12,735
Note payable, interest at 13 week U.S. Treasury bill rate plus 1.25 percent (4.771 percent at June 30, 1992), security interest in student loans equal to the outstanding principal, due November 30, 1992	109,631
Note purchase agreement dated May 1, 1990 through May 1, 1992. The agreement was amended subsequent to May 1, 1992 and continues through July 1, 1993. It provides for three separate notes known as the 1991F, G, and H Series. Principal not to exceed \$260 million in the aggregate. Interest is the 13 week U.S. Treasury bill rate plus .2 percent for the first two series (1991F, G) and the U.S. Treasury bill rate plus .3 percent for the 1991H Series (1991F - 5.35%; 1991G - 5.45%; 1991H - 5.4% at June 30, 1992). Secured by investments and student loans	259,298
Total	<u>\$ 437,690</u>

NOTES TO FINANCIAL STATEMENTS

NOTE J—Notes and Demand Revenue Bonds Payable (continued)

During the fiscal year ended June 30, 1992 the Commonwealth issued \$1.45 billion of tax anticipation notes which matured on June 30, 1992. The \$59.2 million of interest related to the notes is shown as a debt service expenditure in the General Fund.

The State System of Higher Education, College and University Funds, has \$2.5 million of notes payable as of June 30, 1992 that are collateralized by an equivalent amount of equipment. The notes bear interest at rates ranging from 5 percent to 11.5 percent. The scheduled principal payments for the notes outstanding at June 30, 1992 follow (expressed in thousands):

1993	\$ 439
1994	375
1995	387
1996	384
1997	411
Thereafter	466
Total	<u>\$2,462</u>

NOTES TO FINANCIAL STATEMENTS

NOTE K—LONG-TERM OBLIGATIONS

Long-term obligations of the Commonwealth at June 30, 1992 (May 31, 1992 for the Pennsylvania Turnpike Commission) and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Dates Through	Bonds Authorized But Unissued	Balance July 1, 1991	Additions	Reductions	Balance June 30, 1992
ENTERPRISE FUNDS								
Revenue Bonds Payable From User								
Charges:								
Pennsylvania Higher Education								
Assistance Agency	1985-91	3.18-11.35%	2026	\$	\$ 413,000	\$ 220,000	\$ 8,120	\$ 624,880
Pennsylvania Housing Finance Agency	1976-92	3.50-14.50%	2028	. . . .	2,018,756	454,670	130,823	2,342,603
Pennsylvania Industrial Development								
Authority	1991	5.80- 7.00%	2011	. . . .	278,415	. . . .	. . . .	278,415
Pennsylvania Turnpike Commission	1986-91	4.50- 7.875%	2019	. . . .	1,061,105	540,900	472,080	1,129,925
Pennsylvania Infrastructure Investment								
Authority	1990-92	2.70- 6.80%	2012	. . . .	60,000	82,500	. . . .	142,500
					3,831,276	1,298,070	611,023	4,518,323
Less: Bond discounts					107,478	45,345	18,148	134,675
TOTAL ENTERPRISE FUNDS				\$	\$3,723,798	\$1,252,725	\$ 592,875	\$4,383,648
GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP								
General Obligation Bonds Payable From								
Tax Revenues:								
Capital Facilities	1968-92	4.15-10.75%	2012	\$12,670,013	\$3,798,015	\$ 426,000	\$ 384,265	\$3,839,750
Disaster Relief	1973-89	4.91- 8.56%	2009	21,908	84,150	. . . .	6,050	78,100
Land and Water Development	1969-92	5.13-10.75%	2012	13,300	242,725	2,000	22,200	222,525
Nursing Home Loan Development	1975-86	5.30- 8.89%	2006	31,000	32,775	. . . .	4,315	28,460
Project 70 Land Acquisition	1970	6.26%	2000	. . . .	5,370	. . . .	450	4,920
Volunteer Companies Loan	1977-83	5.32-10.75%	2002	25,000	13,510	. . . .	1,420	12,090
Vietnam Conflict Veterans								
Compensation	1969-74	5.36- 6.11%	2003	3,000	30,275	. . . .	2,810	27,465
Water Facilities Loan	1983-92	6.35- 9.83%	2012	128,000	98,410	25,000	7,345	116,065
Pennsylvania Economic Revitalization	1984-92	6.35- 8.86%	2012	27,000	79,615	35,000	6,980	107,635
State Highway and Bridge Authority	1968	2.75- 4.60%	1991	. . . .	6,940	. . . .	6,940	. . . .
Pennsylvania Infrastructure								
Investment Authority	1988-92	6.35- 7.07%	2012	534,000	64,250	48,000	2,900	109,350
Agricultural Conservation Easement								
Purchase	1991-92	6.35- 6.87%	2012	77,000	7,000	16,000	250	22,750
Local Criminal Justice	1992	6.44%	2012	181,000	. . . .	19,000	. . . .	19,000
Refunding Bonds	1985-91	6.70- 7.85%	2005	. . . .	324,477	. . . .	39,045	285,432
					13,711,221	4,787,512	484,970	4,873,542
Bonds Payable From Lease Rentals:								
Pennsylvania Higher Educational								
Facilities Authority	1969-92	3.90- 9.00%	2031	. . . .	1,504,224	347,230	130,305	1,721,149
State Public School Building Authority	1986-91	3.50- 8.60%	2024	. . . .	254,801	137,711	78,890	313,622
					1,759,025	484,941	209,195	2,034,771
Other General Long-Term Obligations								
Payable From Tax Revenues:								
Capital Lease and Installment								
Purchase Obligations					131,080	14,282	21,523	123,839
Self-Insurance — Note O					681,552	112,757	87,332	706,977
Compensated Absences					258,058	189,674	206,213	241,519
Catastrophic Motor Vehicle Losses					297,200	6,957	21,657	282,500
Other					678,460	465,924	417,485	726,899
					2,046,350	789,594	754,210	2,081,734
TOTAL GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP				\$13,711,221	\$8,592,887	\$1,845,535	\$1,448,375	\$8,990,047

NOTES TO FINANCIAL STATEMENTS

NOTE K—Long-Term Obligations (continued)

The Pennsylvania Housing Finance Agency (PHFA), the Pennsylvania Higher Education Assistance Agency (PHEAA), the Pennsylvania Industrial Development Authority, and the Pennsylvania Turnpike Commission (PTC), Enterprise Funds, have pledged all of their revenues for the redemption of revenue bonds outstanding. Revenue bonds outstanding as reported in this note disclosure for the fiscal year ended June 30, 1992 (May 31, 1992 for the PTC) include bond discounts of \$134.7 million.

On September 26, 1985, PHEAA issued Student Loan Adjustable Rate Tender Revenue Bonds, 1985 Series A (1985 Bonds) in the amount of \$202 million. The 1985 Bonds bear interest at a rate of 6.8 percent through maturity. On July 29, 1988 and December 30, 1988 PHEAA issued Student Loan Adjustable Rate Tender Revenue Bonds, 1988 Series C and E in the amounts of \$75 million and \$36 million, respectively. Interest on the 1988 Series C bonds is set weekly by the remarketing agent for \$7.8 million and quarterly for \$67.2 million and was 4.923 percent and 7.4 percent, respectively, at June 30, 1992. Interest on the 1988 Series E bonds is set by the remarketing agent weekly and was 4.923 percent at June 30, 1992. The Series C and E bonds are private placements in which the holder may terminate its agreement to hold the bonds as of August 1, 1998 and January 1, 1999, respectively. PHEAA may call a mandatory tender each year, on any date from August 1 to November 1 for Series C, and from January 1 to April 1 of each alternating calendar year for Series E. If the bonds are tendered before maturity date, they will be remarketed by the remarketing agent. On March 29, 1990 PHEAA issued Student Loan Revenue Select Variable Rate Bonds 1990 A, B, and C in the amount of \$100 million. The Series A and B bonds bear interest at rates of 11.348 percent and 3.197 percent, respectively, at June 30, 1992 and will thereafter be adjusted based on orders placed in an auction conducted on the business day before each subsequent interest period. The Series C bonds interest rate is fixed at 7.5 percent. On September 1, 1991, PHEAA issued Student Loan Revenue Bonds, Series A, B and C in the amount of \$170 million. The 1991 Series A, B and C bonds consist of Select Auction Variable Rate Securities, Residual Interest Bonds and Fixed Rate Bonds, respectively. The Series A and B bonds bear interest at rates of 3.185 percent and 10.194 percent, respectively, at June 30, 1992. The Series C bonds interest rate is fixed at 7.150 percent.

The Commonwealth has pledged its full faith and credit for the payment of principal and interest on general obligation bonds accounted for in the General Long-Term Obligations Account Group.

The Pennsylvania Higher Educational Facilities Authority and the State Public School Building Authority have bonds outstanding, reported as General Long-Term Obligations, as of June 30, 1992, which are payable from the lease rentals of the projects financed. The lease rentals are pledged as collateral for the bonds outstanding.

The Commonwealth of Pennsylvania by enactment of the General Assembly created the Pennsylvania Energy Development Authority (PEDA) to finance projects related to energy conservation and research. Fees are assessed to recover related processing and application costs incurred. The bonds issued by the Authority represent limited obligations payable solely from payments made by the borrowing entities. The majority of the bonds are secured by the property financed. Upon repayment of a bond, ownership of acquired property transfers from the trustee to the entity served by the bond issuance. The PEDA has \$174.3 million in revenue bonds outstanding at June 30, 1992. The Commonwealth has no obligation for this debt. Accordingly, neither the financed assets nor the bonds are included in the accompanying financial statements.

The Commonwealth uses fiscal agents to process payments for the servicing of the majority of its bond issues. Additional cash with fiscal agents is held by the Federal Government for unemployment compensation claims.

Included in "Other" for Other General Long-Term Obligations payable from tax revenues are the following (expressed in thousands):

Workmen's Compensation Security Trust Claims	\$467,851
Public Utility Realty Tax Act (PURTA)	150,844
Litigation — Note P	74,858
Medical Assistance Cost Settlements	28,079
Arbitrage Rebate Tax	5,267
	<u>\$726,899</u>

NOTES TO FINANCIAL STATEMENTS

NOTE K —Long-Term Obligations (continued)

The Workmen's Compensation Security Trust Fund provides for payment of valid claims under the Workmen's Compensation Law to individuals whose employments are insured by insolvent insurance carriers. The PURTA provides for a tax on utility realty property which is available for appropriation as a general revenue source. The Act also provides for payment of a tax distribution to local taxing authorities. The Commonwealth is liable for underpayments of medical assistance to nursing homes and inpatient hospitals based upon audits performed on the medical assistance program. Amounts included in the General Long-Term Obligations Account Group at June 30, 1992 relating to Workmen's Compensation Claims, Litigation, PURTA, Medical Assistance and Arbitrage Rebate Tax are not payable with currently expendable available financial resources.

The 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 \$25.3 billion as of August 31, 1992, with net debt outstanding of \$4.1 billion.

The following table presents annual principal and interest payments for long-term debt outstanding at June 30, 1992 (May 31, 1992 for the Pennsylvania Turnpike Commission) (expressed in thousands):

	1993	1994	1995	1996	1997	1998 Through Maturity	Total
ENTERPRISE FUNDS							
Revenue Bonds:							
Pennsylvania Higher Education Assistance Agency	\$ 42,664	\$ 42,664	\$ 42,664	\$ 42,664	\$ 42,664	\$ 1,215,777	\$ 1,429,097
Pennsylvania Housing Finance Agency	392,513	200,657	198,146	196,586	197,778	4,154,725	5,340,405
Pennsylvania Industrial Development Authority	28,538	39,656	38,670	37,030	35,904	228,255	408,053
Pennsylvania Turnpike Commission	82,366	81,602	85,623	86,750	88,582	1,945,667	2,370,590
Pennsylvania Infrastructure Investment Authority	6,645	6,752	8,146	9,301	10,295	174,777	215,916
Total Principal and Interest	552,726	371,331	373,249	372,331	375,223	7,719,201	9,764,061
Less: Interest Payments	307,346	299,772	295,128	289,527	283,944	3,770,021	5,245,738
TOTAL ENTERPRISE FUNDS.....	\$ 245,380	\$ 71,559	\$ 78,121	\$ 82,804	\$ 91,279	\$ 3,949,180	\$ 4,518,323

GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

General Obligation Bonds:

Capital Facilities	\$ 634,888	\$ 570,863	\$ 570,514	\$ 467,704	\$ 407,033	\$ 2,859,586	\$ 5,510,588
Disaster Relief	10,634	10,597	10,570	10,536	10,489	50,016	102,842
Land and Water Development	35,789	35,659	35,515	35,405	29,388	120,784	292,540
Nursing Home Loan Development	6,270	6,218	6,166	3,848	3,783	9,677	35,962
Project 70 Land Acquisition	770	769	775	779	780	2,346	6,219
Volunteer Companies Loan	2,366	2,292	2,220	2,143	2,063	5,194	16,278
Vietnam Conflict Veterans Compensation	4,559	4,562	4,567	4,575	4,574	11,703	34,540
Water Facilities Loan	16,461	16,280	16,038	15,005	13,884	112,573	190,241
Pennsylvania Economic Revitalization	15,868	13,592	12,748	9,961	9,619	112,588	174,376
Pennsylvania Infrastructure Investment Authority	10,641	11,431	11,212	10,998	10,782	131,168	186,232
Agricultural Conservation Easement Purchase	1,917	2,160	2,143	2,120	2,105	29,377	39,822
Local Criminal Justice	1,181	1,680	1,679	1,680	1,679	26,501	34,400
Refunding Bonds	56,877	48,585	42,230	39,270	40,083	165,880	392,925
Total Principal and Interest	798,221	724,688	716,377	604,024	536,262	3,637,393	7,016,965
Less: Interest Payments	296,664	263,923	237,353	207,604	183,892	953,987	2,143,423
	<u>501,557</u>	<u>460,765</u>	<u>479,024</u>	<u>396,420</u>	<u>352,370</u>	<u>2,683,406</u>	<u>4,873,542</u>

NOTES TO FINANCIAL STATEMENTS

NOTE K —Long-Term Obligations (continued)

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998 Through Maturity</u>	<u>Total</u>
Other Bonds:							
Pennsylvania Higher Educational Facilities Authority	141,065	142,058	135,291	136,281	159,046	2,392,835	3,106,576
State Public School Building Authority	41,188	41,060	34,961	33,139	30,809	327,039	508,196
Total Principal and Interest	182,253	183,118	170,252	169,420	189,855	2,719,874	3,614,772
Less: Interest Payments	112,507	109,505	105,167	101,306	97,551	1,053,965	1,580,001
	69,746	73,613	65,085	68,114	92,304	1,665,909	2,034,771
TOTAL GENERAL OBLIGATION AND OTHER BONDS.....	571,303	534,378	544,109	464,534	444,674	4,349,315	6,908,313
Other General Long-Term Obligations.....	243,198	89,054	87,218	83,279	82,526	1,496,459	2,081,734
TOTAL GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP....	\$ 814,501	\$ 623,432	\$ 631,327	\$ 547,813	\$ 527,200	\$5,845,774	\$8,990,047

The Commonwealth has entered into agreements to lease various facilities and equipment. Such agreements are in substance purchases (capital leases) and are reported as Other General Long-Term Obligations and Capital Lease Obligations for the College and University Funds.

The following is a schedule by fiscal year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 1992 (expressed in thousands):

Fiscal year ending June 30:	<u>General Long-Term Obligations</u>	<u>College and University Funds</u>
1993	\$ 7,460	\$ 19,590
1994	7,195	22,597
1995	7,046	15,627
1996	6,728	12,833
1997	6,668	11,989
Later years	120,900	163,749
Total minimum lease payments	155,997	246,385
Less: amount representing estimated executory costs included in total minimum lease payments	19,443	.....
Net minimum lease payments	136,554	246,385
Less: amount representing interest	73,008	105,585
Present value of net minimum lease payments	63,546	140,800
Installment purchase obligations	60,293	.....
TOTAL CAPITAL LEASE AND INSTALLMENT PURCHASE OBLIGATIONS	\$123,839	\$140,800

At June 30, 1992 general fixed assets included \$96.5 million of buildings and \$3.3 million of equipment being procured by capital leases. A total of \$92.3 million in general fixed assets is being procured by installment purchase arrangements.

Capital lease obligations outstanding as of June 30, 1992 for the College and University Funds relate to various capital projects currently under construction for which a related public financing authority is the lessor. Revenue bonds were issued by the public financing authority to provide funding for these capital projects. College and University Funds fixed assets include \$44.5 million of construction in progress related to capital leases at June 30, 1992.

NOTES TO FINANCIAL STATEMENTS

NOTE L—REFUNDED DEBT

During the fiscal year ended June 30, 1992 the Commonwealth issued bonds, accounted for in the General Long-Term Obligations Account Group, to advance refund \$125.3 million of previously issued bonds as follows (expressed in thousands):

	Thomas Jefferson University Series A 1992	Thomas Jefferson University (ACES) Revenue Bonds Series C 1992	Eastern College Project Series of 1992	School Revenue Bonds Series H 1991
Issuing Authority	PHEFA	PHEFA	Delaware County	SPSBA
Bond Type	Revenue	Revenue	Revenue	Revenue
Date Issued	5-21-92	6-25-92	3-1-92	10-30-91
Refunding Bonds Principal	\$63,555	\$34,500	\$3,500	\$9,660
Interest Rate (Refunding) .	6.45%	Variable	N/A	6.65%
Refunded Series	Hospital Rev Bonds Series A 1988 Thomas Jefferson Univ Revenue Bonds Series' A & B 1989 Jefferson Park Hospital Rev Bonds 1990 Series	Thomas Jefferson University Annual Hospital Rev Bonds Series of 1985 Thomas Jefferson University Series C of 1985	Eastern College First Series of 1987	School Revenue Bonds Series H of 1988
Refunded Bonds Principal	\$36,865/\$10,395	\$16,710/\$16,570	\$3,230	\$8,745
Interest Rate (Refunded) ..	N/A	N/A	N/A	7.78%
Payment to Escrow Agent	\$40,271/\$21,838	\$16,991/\$16,977	\$3,341	\$9,252
Debt Service Savings	N/A	N/A	N/A	\$358
Economic Gain	N/A	N/A	N/A	\$253

	School Revenue Bonds Series J 1991	School Revenue Bonds Series D 1992	General Obligation Bonds Series of 1991
Issuing Authority	SPSBA	SPSBA	Clairton School District
Bond Type	Revenue	Revenue	General Obligation
Date Issued	11-12-91	6-3-92	1-24-92
Refunding Bonds Principal	\$28,485	\$6,465	\$11,950
Interest Rate (Refunding) .	6.35%	6.17%	N/A
Refunded Series	School Revenue Bonds Series J of 1988	School Revenue Bonds Series D of 1987	School Revenue Bonds Series M of 1987
Refunded Bonds Principal	\$26,535	\$5,780	\$435
Interest Rate (Refunded) ..	7.41%	7.68%	N/A
Payment to Escrow Agent	\$27,836	\$6,254	\$446
Debt Service Savings	\$591	\$175	N/A
Economic Gain	\$589	\$131	N/A

N/A — Not available.

The net refunding bond proceeds, after payment of underwriting fees, insurance, and other issuance costs, were used to purchase U.S. Government securities which were deposited in irrevocable trusts to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the General Long-Term Obligations Account Group.

NOTES TO FINANCIAL STATEMENTS

NOTE L—REFUNDED DEBT

The Pennsylvania Higher Educational Facilities Authority (PHEFA) and the State Public School Building Authority (SPSBA), did not disclose debt service savings or economic gain for the Thomas Jefferson University Series A 1992, Thomas Jefferson University (ACES) Revenue Bonds Series C 1992, Eastern College Project Series of 1992, or the General Obligation Bonds Series of 1991 in their component unit financial statements. Therefore, this information is not included in the summary on the preceding page.

On June 6, 1991 the Pennsylvania Turnpike Commission (PTC), an Enterprise Fund, issued \$273 million of Series L Bonds with interest rates ranging from 5.6 percent to 6.6 percent to advance refund \$39 million of Series A Serial Bonds and \$200 million of Series A Term Bonds with interest rates ranging from 7.125 percent to 7.875 percent. On January 2, 1992, the PTC issued \$267 million of Series M and N Bonds with interest rates ranging from 4.5 percent to 6.6 percent to advance refund \$103 million of Series C through E Term Bonds with interest rates ranging from 6.95 percent to 7.625 percent, and to advance refund \$9 million of Series K Serial Bonds and \$114 million of Series K Term Bonds with interest rates ranging from 6.95 percent to 7.5 percent.

The net proceeds from Series L, M and N Bonds of \$494 million (after original discounts of \$40 million and payment of \$6 million in issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series A, C through E, and K Bonds. As a result, the Series A, C through E, and K Bonds are considered to be defeased and the liability for those bonds has been removed from the PTC's financial statements.

Although the advance refunding resulted in the recognition of an accounting loss of \$44 million for the year ended May 31, 1992, the PTC in effect reduced its aggregate debt service payments by almost \$23 million over the next 27 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$12 million.

During the fiscal year ended June 30, 1992 the Pennsylvania Housing Finance Agency (PHFA), an Enterprise Fund, advance refunded \$59.3 million of Single Family Mortgage Revenue Bonds and \$45.1 million of residential development bonds by using mortgage prepayments and undisbursed bond proceeds. Extraordinary losses of \$1.0 million and \$1.3 million, respectively, resulted from these transactions. The \$104.4 million of refunded bonds are considered defeased and the liability for these bonds has been removed from the PHFA's financial statements.

At June 30, 1992 \$1.2 billion of bonds outstanding, that were previously accounted for in the General Long-Term Obligations Account Group, have been defeased through advance refundings. Included are \$274 million of general obligation bonds and \$210 million and \$740 million of other bonds for the State Public School Building Authority and the Pennsylvania Higher Educational Facilities Authority, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE M—RECONCILIATION OF BUDGETARY AND GAAP BASIS AMOUNTS

The Commonwealth adopts formal annual budgets for the General and three Special Revenue Funds (Motor License, State Lottery and Workmen's Compensation Administration). In addition, the State Public School Building Authority approves a formal annual budget for its operations and is included as a Budgeted Special Revenue Fund.

The Combined Statement of Revenues, Expenditures, and Changes in Unreserved/Undesignated Fund Balances—Budget and Actual (Budgetary Basis)—presents comparisons of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from GAAP primarily by the omission of certain revenue and expenditure accruals.

The beginning unreserved/undesignated fund balance for the General Fund and the State Lottery Fund, a Special Revenue Fund, have been restated to reflect changes in annual budgets subsequent to the fiscal year ended June 30, 1991. The restatements are summarized as follows (expressed in thousands):

	General Fund	Special Revenue Funds
Unreserved/undesignated Fund Balances (Deficits)		
Budgetary Basis, July 1, 1991 as previously reported	\$ (453,643)	\$ 110,968
Adjustments:		
Cancellation of authorized spending authority	2,717	.....
Correction to accounting records .....	.....	(2)
Unreserved/Undesignated Fund Balances (Deficits)		
Budgetary Basis July 1, 1991, as restated	\$ (450,926)	\$ 110,966

The following presents a reconciliation of the budgetary basis to the GAAP basis of reporting (expressed in thousands):

	General Fund	Special Revenue Funds
BUDGETED FUNDS:		
Budgetary basis — revenues and other sources over expenditures	\$ 459,744	\$ 6,814
Adjustments:		
To adjust revenues, other financing sources and related receivables and deferred revenue	239,418	1,107,056
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	(924,606)	(1,267,495)
To adjust encumbrances	1,331,335	254,827
Net adjustments	646,147	94,388
NONBUDGETED FUNDS:		
GAAP basis — revenues and other sources over expenditures and other uses .....	.....	66,664
TOTAL ALL FUNDS:		
GAAP basis — revenues and other sources over expenditures and other uses	\$ 1,105,891	\$ 167,866

NOTES TO FINANCIAL STATEMENTS

NOTE N—SEGMENT INFORMATION—ENTERPRISE FUNDS

The Commonwealth has seven major Enterprise Funds which provide for a limited access highway system, industrial development loans, workmen's compensation insurance services, liquor sales, student loans and scholarships, low-cost housing and capital development loans.

Segment information for the fiscal year ended June 30, 1992, unless otherwise noted, is as follows (expressed in thousands):

	Pennsylvania Turnpike Commission (May 31, 1992)	Pennsylvania Industrial Development Authority	State Workmen's Insurance Fund (Dec. 31, 1991)	State Stores Fund	Pennsylvania Higher Education Assistance Agency	Pennsylvania Housing Finance Agency	Pennsylvania Infrastructure Investment Authority	Other Enterprise Funds	Total Enterprise Funds
Operating revenues	\$ 269,598	\$ 24,592	\$ 361,186	\$ 677,735	\$ 415,358	\$ 206,991	\$ 10,345	\$ 35,418	\$ 2,001,223
Depreciation	79,292	.....	911	4,653	6,437	237	25	721	92,276
Operating income (loss)	77,089	1,738	(1,687)	38,430	(187,806)	22,185	(567)	2,707	(47,911)
Operating transfers in .....	.....	.....	.....	.....	205,494	.....	.....	.....	205,494
Operating transfers out .....	.....	.....	10,000	41,816	.....	.....	.....	12,000	63,816
Net income (loss)	52,900	1,738	(11,687)	(1,067)	17,688	19,840	(567)	(8,017)	70,828
Increases in contributed capital .....	.....	35,000	.....	.....	.....	.....	124,316	9,161	168,477
Decreases in contributed capital .....	.....	.....	.....	.....	.....	.....	48,203	.....	48,203
Acquisition and construction of capital assets	320,790	.....	2,278	7,125	11,747	484	15	1,033	343,472
Net increase (decrease) in cash	1,385	473	168	(39)	(21,929)	.....	1,864	222	(17,856)
Total assets	2,258,572	589,048	1,058,767	169,172	1,791,389	2,795,382	548,373	362,229	9,572,932
Bonds and other long-term liabilities payable from operating revenues	1,064,977	276,658	916,235	.....	1,447,570	2,350,270	142,500	.....	6,198,210
Total fund equity	1,071,297	302,974	76,353	11,691	227,609	247,956	363,758	353,767	2,655,405

NOTES TO FINANCIAL STATEMENTS

NOTE O—SELF-INSURANCE

Effective July 1, 1983 the Commonwealth became self-insured for losses occurring after June 30, 1983 for all statutory worker's compensation and medical payments to its employees injured on the job. A loss reserve analysis is prepared annually by an independent consulting actuarial firm using standard actuarial techniques to estimate required reserve levels.

The Commonwealth is self-insured for tort liability claims. Major tort self-insurance areas include automobile, general tort, employe and transportation-related liability claims. Tort liabilities were determined as of June 30, 1992 based on reserves computed from the Commonwealth's claim experience.

At June 30, 1992 the following amounts are reported as General Fund and Motor License Fund, a Special Revenue Fund, accrued liabilities representing the estimate of payments to be made from currently expendable available financial resources for accidents occurring through June 30, 1992 (expressed in thousands):

General Fund

Employe disability	\$ 64,500
General tort	3,383
Automobile	2,554
Employe	2,226
Total	<u>\$ 72,663</u>

Motor License Fund

Transportation-related	<u>\$ 28,721</u>
------------------------------	------------------

The portion of Commonwealth self-insurance liabilities that will not be liquidated with currently expendable, available financial resources at June 30, 1992 is reported in the General Long-Term Obligations Account Group as follows (expressed in thousands):

Employe disability	\$417,761
Transportation-related	237,167
General tort	27,727
Employe	17,519
Automobile	6,803
Total	<u>\$706,977</u>

NOTES TO FINANCIAL STATEMENTS

NOTE P—COMMITMENTS AND CONTINGENCIES

Construction and Other Commitments: At June 30, 1992 the Department of Transportation and the Pennsylvania Turnpike Commission have contractual commitments of approximately \$735 million and \$238 million, respectively, for various highway construction and mass transit projects. Financing for these future expenditures will be primarily from approved federal grants and general obligation bond sales. In addition, the Commonwealth has certain contractual commitments for future purchases of various goods and services approximating \$3 billion at June 30, 1992. These commitments are contingent upon availability of financial resources.

At June 30, 1992, the Pennsylvania Infrastructure Investment Authority and the Pennsylvania Industrial Development Authority, which are Enterprise Funds, had \$411 million and \$89 million, respectively, in approved loans that had not been disbursed.

Operating Lease Commitments: The Commonwealth has commitments to lease certain buildings and equipment. Future minimum rental commitments for noncancelable operating leases as of June 30, 1992 were as follows (expressed in thousands):

Fiscal year ending June 30:	
1993	\$130,279
1994	108,849
1995	81,647
1996	62,852
1997	55,010
Later years	<u>388,488</u>
Total Minimum Lease Payments	<u>\$827,125</u>

Rental expenditures/expenses for all operating leases for the fiscal year ended June 30, 1992 amounted to \$158 million.

Capital Lease Commitments: The Commonwealth has entered into lease arrangements with five local government authorities for the rental of five new correctional institutions. The five local authorities are providing current financing for construction costs and the Commonwealth will be making lease payments equal to the local authorities' debt service payments. Each lease includes a bargain purchase option, which the Commonwealth expects to exercise, at the end of 20-year lease terms. Each lease provides that no rental payments be made until the facilities are constructed and occupied. No rental payments have been made through June 30, 1992. Aggregate lease payments to the local authorities are expected to approximate \$1 billion.

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 recorded accrued liabilities at June 30, 1992 with respect to torts as described in Note O and as follows with respect to other matters of litigation for which the likelihood of an unfavorable outcome is probable (expressed in thousands):

General Fund	\$ 572
Motor License Fund	30,350
Capital Facilities Fund	2,559
Other General Long-Term Obligations	74,858

Additionally, the Commonwealth has been involved over the past several years in certain legal proceedings relative to bank taxes which continues into the present year. The Commonwealth is vigorously contesting these cases, but if unsuccessful, the Commonwealth could be required to make settlements from the General Fund of approximately \$905 million for bank taxes. Other cases that the Commonwealth is currently vigorously contesting could range from approximately \$15 to \$177 million, \$500 thousand to \$24 million, and \$27 to \$77 million of additional liabilities for the General Fund, Capital Projects Funds and Special Revenue Funds, respectively.

Based on the current status of all these legal proceedings for which accruals have not been made, it is the opinion of the Commonwealth's management and counsel that they will not have a material effect on the Commonwealth's financial position.

NOTES TO FINANCIAL STATEMENTS

NOTE P—Commitments and Contingencies (continued)

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 general purpose 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 \$13 to \$108 million. The Commonwealth's management believes ultimate disallowances and sanctions, if any, will not have a material effect on the general purpose financial statements.

At June 30, 1992 the Commonwealth had custody of \$459 million in Federal Food Stamps. These food stamps will be distributed to eligible recipients in accordance with Federal regulations.

Student Loan Guarantees: The Pennsylvania Higher Education Assistance Agency (PHEAA), an Enterprise Fund, guarantees loans made by private lenders to certain resident students. Total outstanding guarantees issued by PHEAA approximated \$6.7 billion at June 30, 1992. The U.S. Department of Education reinsures losses under these guarantees up to 100 percent until losses are in excess of 5 or 9 percent of the total loans in repayment status, then the reinsurance rate decreases to 90 and 80 percent, respectively.

Other Contingency: The State Lottery Fund, a Special Revenue Fund, has entered into agreements with insurance companies under which the Lottery purchases annuities under group contracts which provide payments corresponding to the State Lottery Fund's obligation to prize winners. The Commonwealth would be liable for such future payments if the insurance companies would default on their payment. In the event of default, the Commonwealth would have to fund future prize payments amounting to \$2.1 billion, discounted at an interest rate of 7.73 percent to a net present value of \$1.1 billion at June 30, 1992.

NOTES TO FINANCIAL STATEMENTS

NOTE Q—MEDICAL PROFESSIONAL LIABILITY CATASTROPHE LOSS FUND

The Medical Professional Liability Catastrophe Loss Fund, an Agency Fund, acts primarily as an agent to facilitate the payment of claims covering excess liability of health care providers practicing in the Commonwealth. The Fund levies surcharges to health care providers to pay settled claims and administrative expenses paid on behalf of health care providers during the prior year. The actuarially computed liability to the health care providers for claims outstanding at June 30, 1992 totals \$2,052.1 million (\$1,464.5 million at present value based on the expected payment pattern and an assumed long-term interest rate of 7 percent). At June 30, 1992 \$105 million is payable with expendable available financial resources and is reported as a fund liability. The remaining claims will be funded exclusively through assessments to health care providers in future years as claims are settled and paid and, therefore, do not represent liabilities of the Commonwealth. The following is a summary of the increases and decreases of the Fund's assets for the year ended June 30, 1992 (expressed in thousands):

Fund assets, July 1, 1991	\$108,964
Surcharges to health care providers.....	155,491
Investment earnings.....	5,414
Payments to claimants.....	(150,004)
Administrative costs	(12,757)
Fund assets, June 30, 1992	<u>\$107,108</u>

NOTE R—DEFERRED COMPENSATION

The Commonwealth offers its employees a deferred compensation 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.

All amounts of compensation deferred under the plan, all property and rights purchased with the amounts, and all income attributable to these amounts are solely the property and rights of the Commonwealth, subject only to the claims of the Commonwealth's general creditors. Participants' rights under the plan are equal to those of general creditors of the Commonwealth in an amount equal to the fair market value of the deferred account of each participant. The Commonwealth has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Commonwealth believes it is unlikely that plan assets will be used to satisfy future claims of general creditors.

Of the \$88.9 million in assets (at market value) reported in the Deferred Compensation Fund, an Agency Fund, at December 31, 1991, \$88.4 million relates to participants employed by organizations included in the Commonwealth's financial reporting entity. The remaining balance relates to participants employed by organizations not included in the Commonwealth's financial reporting entity.

NOTES TO FINANCIAL STATEMENTS

NOTE S—SUBSEQUENT EVENTS

During April 1992 the State Workmen's Insurance Fund, an Enterprise Fund whose financial statements are included for its calendar year ended December 31, 1991, acquired two notes receivable for consideration of \$34 million.

On July 1, 1992 the Commonwealth issued \$405.4 million of general obligation bonds, Second Series of 1992 with an average interest rate of 5.84 percent. The bond proceeds include \$267.4 million to advance refund \$240.7 million aggregate amount of previously issued general obligation bonds. On December 1, 1992 the Commonwealth issued \$124 million of general obligation bonds, Third Series of 1992 with an average interest rate of 5.77 percent.

On September 3, 1992 the Pennsylvania Turnpike Commission (PTC), an Enterprise Fund, issued \$571 million of Turnpike Revenue Bonds — Series O and P of 1992. The Bonds were issued primarily for the purpose of advance refunding all of the outstanding Series C through K Bonds. The Series O and P Bonds pay interest semiannually commencing December 1, 1992.

On October 1, 1992 the Commonwealth issued \$600 million in Tax Anticipation Notes, First Series of 1992-93. The notes are payable from and secured by the pledges of revenues to be received in the General Fund during the fiscal year ending June 30, 1993. These obligations are due and payable not later than June 30, 1993.

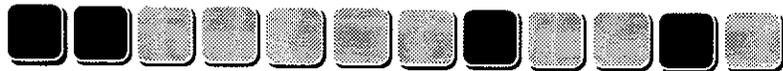
On October 5, 1992, the Pennsylvania State Association of County Commissioners, along with Allegheny, Beaver, Clarion, Forest, Tioga and Washington counties, filed a motion in the Supreme Court of Pennsylvania to enforce the Court's December 7, 1987 order directing the Commonwealth to provide funding for local courts and district justices. This motion seeks an order that would direct the Commonwealth to restore this funding to levels existing in 1987. The Commonwealth has filed a response opposing the motion. The Court has not rendered a decision on this matter.

(THIS PAGE INTENTIONALLY LEFT BLANK)

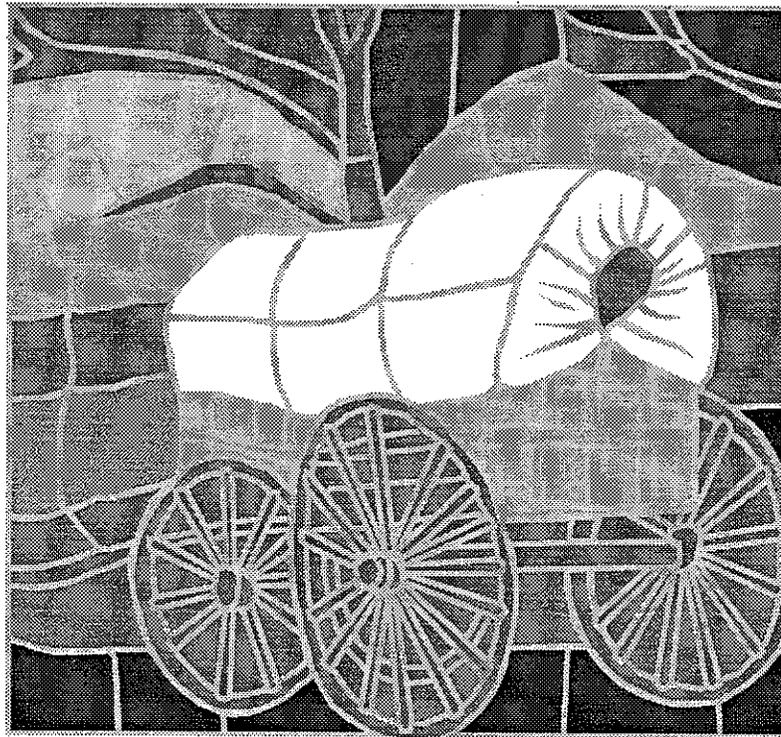


Conestoga Wagon

The immense, ponderous schooner-shaped wagon, probably of German descent, was named from the site where it was first made along the Conestoga Creek in Lancaster County. It was made with a home spun linen cover, which was stretched on wooden bows. The wagon was drawn by four or six walking horses or oxen, often equipped with bells. It transported freight across the Alleghenies, and travelled south of the New England Sea and Lake Transport Lines, before the railroads were built. In its lighter form, as the "Prairie schooner", it bore the American emigrant and his family "Westward Ho!".



Combining Financial Statements and Schedules





Wild Turkey

(*Meleagris gallopavo*)

While the colonist and farmer readily gave a place in the farmyard to the domesticated turkey, tamed for him by ancient Mexicans and cliff-dwelling Indians, he rapidly exterminated the wild bird which Benjamin Franklin had wished to use as a national emblem. The domestic turkey spread into Europe so soon after Columbus' discovery that it was painted in barn scenes by Bassano early in the sixteenth century. (The Pennsylvania State Game Commission pioneered work on the wild turkey. Today the bird that was once in danger of extinction lives in Pennsylvania.)



Special Revenue Funds



(THIS PAGE INTENTIONALLY LEFT BLANK)

SPECIAL REVENUE FUNDS DESCRIPTIONS

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

State Lottery Fund — to account for the payment of prizes to winners in the state lottery, for property tax and rent assistance to the elderly, for mass transit fare subsidies, for the inflation dividend program for the elderly and for a partial rebate of drug and medical costs incurred by the elderly.

Motor License Fund — to account for highway and bridge improvement, design and maintenance, for the purchase of Rights-of-Way, for aviation activities, for transportation licensing and safety activities, for payment of subsidies for construction and maintenance of roads, and for financing Pennsylvania State Police highway patrol operations.

Workmen's Compensation Administration Fund — to account for the administration of the Pennsylvania Workmen's Compensation Act and the Pennsylvania Occupational Disease Act. The Fund assesses insurance companies and self-insured businesses a periodic fee for costs incurred in administering these Acts.

State Public School Building Authority — to account for the administration of the State Public School Building Authority (SPSBA). The SPSBA acts as a financing authority for the construction and improvement of public school facilities. Excess funds, after payment of debt service and administrative costs, are returned to the public schools.

Pharmaceutical Assistance Fund — to account for a limited pharmaceutical assistance program for the Commonwealth's senior citizens who are 65 years of age or older.

Water Facilities Loan Fund — to account for the implementation of the water project loan referendum that authorizes the Commonwealth to approve loans to local water companies for the repair, construction, extension and improvement of water supply systems, dams and port facilities and water control systems. Repayments of principal and interest from loans are transferred to the General Fund.

Pennsylvania Economic Revitalization Fund — to account for the promotion of economic redevelopment throughout Pennsylvania, for grants and loans for industrial and small business development, for acquisition of equipment for vocational programs in secondary schools, and for agricultural and recreational programs.

Hazardous Sites Cleanup Fund — to account for cleaning up abandoned hazardous waste sites throughout the Commonwealth and restoring the land to productive use.

Fish and Game Fund — to account for the administration and enforcement of fish and game laws and for the protection and propagation of game and aquatic life.

Pennsylvania Higher Educational Facilities Authority — to account for the administration of the Pennsylvania Higher Educational Facilities Authority (PHEFA). The PHEFA acts as a financing authority for the construction and improvement of higher educational institutions. Excess funds, after payment of debt service and administrative costs, are returned to the higher educational institutions.

Other — to account for programs related to conservation and protection of natural resources, the preservation of historical landmarks, administrative and regulatory activities of various departmental programs, and other miscellaneous Commonwealth activities.

**COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS**

June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Budgeted Funds										Total	
	State Lottery	Motor License	Workmen's Compensation Administration	State Public School Building Authority	Pharmaceutical Assistance	Water Facilities Loan	Pennsylvania Economic Revitalization	Hazardous Sites Cleanup	Fish and Game	Pennsylvania Higher Educational Facilities Authority		Other
ASSETS												
Cash	\$ 38	\$ 50,504	\$ 69	\$ 1,019	\$ 40	\$ 3,770	\$ 49	\$ 572	\$ 270	\$ 1,293	\$ 53,887	
Temporary investments	103,725	300,414	16,175	16,993	2,272		69,429	69,964	19,419	230,612	841,745	
Long-term investments	10,318										10,318	
Receivables, net:												
Taxes		128,914									128,914	
Accounts	21,994		13								22,007	
Accrued interest	390	1,169	2	73	7		232	366	133	901	4,843	
Loans						48,991				33,813	106,508	
Lease rental				300,248					1,461,472		1,761,720	
Other		6,932									6,932	
Due from other funds	3,497	4,969	2				20,723	866		1,602	47,366	
Due from other governments	9,009	71,894					28	4,566		7,658	93,230	
TOTAL ASSETS	\$ 148,971	\$ 564,796	\$ 16,261	\$ 318,333	\$ 2,319	\$ 54,251	\$ 90,461	\$ 76,334	\$ 1,481,294	\$ 295,103	\$ 3,096,694	

LIABILITIES AND FUND BALANCES

Liabilities:												
Accounts payable and accrued liabilities	\$ 177,782	\$ 286,226	\$ 1,106	\$ 1,096	\$ 3,944	\$ 1	\$ 1,772	\$ 5,602	\$ 30,525	\$ 513,596		
Tax refunds payable	364									364		
Due to other funds	396	17,122	458	1	9	1,490	213	1,203	12,371	33,779		
Due to other governments	5,027	11,941	34		1		13	208	5,597	22,821		
Deferred revenue	133	181		300,248			1,640		1,461,472	1,774,263		
Advances from other funds		2,175								2,175		
Other Liabilities	3,035									3,035		
TOTAL LIABILITIES	186,373	318,009	1,598	301,345	3,954	1,491	3,638	7,013	1,461,472	2,350,033		
Fund Balance:												
Reserved for:												
Encumbrances	121	151,148	23			2,984	28,147	3,039		29,312	247,321	
Loans receivable						48,991				33,813	106,508	
Long-term investments	10,318										10,318	
Unreserved:												
Designated for:												
Highways		95,639									95,639	
Other										24,755	25,440	
Undesignated (deficit)	(47,841)		14,640	16,988	(1,635)	785	(13,738)	65,597	19,822	148,141	261,435	
TOTAL FUND BALANCES (DEFICIT)	(37,402)	246,787	14,663	16,988	(1,635)	52,760	86,823	69,321	19,822	236,021	746,661	
TOTAL LIABILITIES AND FUND BALANCES	\$ 148,971	\$ 564,796	\$ 16,261	\$ 318,333	\$ 2,319	\$ 54,251	\$ 90,461	\$ 76,334	\$ 1,481,294	\$ 295,103	\$ 3,096,694	

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Budgeted Funds										Total	
	State Lottery	Motor License	Workmen's Compensation Administration	State Public School Building Authority	Pharmaceutical Assistance	Water Facilities Loan	Pennsylvania Economic Reinvestment	Hazardous Sites Cleanup	Fish and Game	Pennsylvania Higher Educational Facilities Authority		Other
REVENUES:												
Taxes	\$ 92	\$ 1,126,327	\$	\$	\$	\$	\$	\$	\$ 66	\$	\$ 173,146	\$ 1,319,005
Licenses and fees	55,227	492,611					2,932	46,568	42,854		585,057	585,057
Intergovernmental	3,726	582,020					181	12,097	95,775		745,391	745,391
Charges for sales and services	3,423	30,546	20,634	1,479			273	12,447	54,315		128,366	128,366
Investment income	1,374,271	11,545	616	1,510	135	286	2,623	5,632	470		14,187	40,759
Lottery revenues	2,490	62,685		48,733					119,846			1,374,271
Lease rental principal and interest	1,439,229	2,305,734	21,420	51,785	135	5,248	25,671	79,321	120,324	398,802	4,448,859	87,431
Other												
TOTAL REVENUES												
	779,926	81,715	19,256									955,330
EXPENDITURES:												
Current:												
General government	371,493				203,082							12,008
Protection of persons and property												7,969
Public health and welfare												690,858
Public education				1,615					242			1,857
Conservation of natural resources						4,163	24,686	76,552				175,219
Economic development and assistance												46,051
Transportation	49,718	1,725,223										1,921,018
Capital outlay		7,298										7,298
Debt Service:												
Interest and fiscal charges	50	164			1	4	41	196			188	667
TOTAL EXPENDITURES	1,201,187	1,814,400	19,256	1,615	203,083	4,167	24,727	76,748	242	417,707	3,810,306	3,810,306
REVENUES OVER (UNDER)												
EXPENDITURES	238,042	491,334	2,164	50,170	(202,948)	1,081	944	2,773	120,082	(18,905)	638,553	638,553
OTHER FINANCING SOURCES (USES):												
Bond proceeds						25,158						75,826
Operating transfers in	15,989	114,034		52,254	204,925	(7,828)		1,841	57,159		15,968	518,737
Operating transfers out	(224,644)	(535,928)		(102,213)				(52)	(179,862)		(14,396)	(1,065,250)
NET OTHER FINANCING SOURCES (USES)	(208,655)	(421,894)		(49,959)	204,925	17,330		1,789	(122,703)		19,863	(470,687)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	29,387	69,440	2,164	211	1,977	18,411	944	4,562	(2,621)	958	167,866	167,866
FUND BALANCES (DEFICITS), JULY 1, 1991	(66,789)	177,254	12,499	16,777	(3,612)	60,566	86,086	64,759	22,443	235,204	613,626	613,626
RESIDUAL EQUITY TRANSFERS		93				(26,217)	(207)			(141)	(34,831)	(34,831)
FUND BALANCES (DEFICITS), JUNE 30, 1992	\$ (37,402)	\$ 246,787	\$ 14,663	\$ 16,988	\$ (1,635)	\$ 52,760	\$ 86,823	\$ 69,321	\$ 19,822	\$ 236,021	\$ 746,561	746,561

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN UNRESERVED/UNDESIGNATED FUND BALANCES—
BUDGET AND ACTUAL (BUDGETARY BASIS)
BUDGETED SPECIAL REVENUE FUNDS**

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)					
	State Lottery			Motor License		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
State Programs:						
Taxes, net of refunds	\$ 9,800	\$ 12,492	\$ 2,692	\$ 922,700	\$ 928,918	\$ 6,218
Lottery receipts	756,894	800,309	43,415	.....	.....	.....
Licenses and fees .....	.....	.....	.....	468,100	467,095	(1,005)
Departmental services	7,159	7,159	.....	104,526	104,526	.....
Miscellaneous	7,000	5,776	(1,224)	93,550	74,580	(18,970)
TOTAL STATE PROGRAMS	780,853	825,736	44,883	1,588,876	1,575,119	(13,757)
Federal Programs	63,014	60,556	(2,458)	555,396	373,608	(181,788)
TOTAL REVENUES	843,867	886,292	42,425	2,144,272	1,948,727	(195,545)
EXPENDITURES:						
State Programs:						
General government	221,339	209,037	12,302	231,862	228,430	3,432
Protection of persons and property .....	.....	.....	.....	222,207	216,483	5,724
Public health and welfare	643,191	586,884	56,307	.....	.....	.....
Public education .....	.....	.....	.....	1,950	1,735	215
Transportation .....	.....	.....	.....	1,189,062	1,186,053	3,009
TOTAL STATE PROGRAMS	864,530	795,921	68,609	1,645,081	1,632,701	12,380
Federal Programs	63,014	60,556	2,458	555,396	373,608	181,788
TOTAL EXPENDITURES	927,544	856,477	71,067	2,200,477	2,006,309	194,168
REVENUES OVER (UNDER) EXPENDITURES	(83,677)	29,815	113,492	(56,205)	(57,582)	(1,377)
OTHER FINANCING SOURCES:						
Prior year lapses	13,595	13,595	.....	19,188	19,188	.....
Increase in budgeted revenues	44,883	.....	(44,883)	.....	.....	.....
TOTAL OTHER FINANCING SOURCES	58,478	13,595	(44,883)	19,188	19,188	.....
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(25,199)	43,410	68,609	(37,017)	(38,394)	(1,377)
UNRESERVED/UNDESIGNATED FUND BALANCES						
(BUDGETARY BASIS), AS RESTATED, JULY 1, 1991	25,723	25,723	.....	60,497	60,497	.....
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 1992	\$ 524	\$ 69,133	\$ 68,609	\$ 23,480	\$ 22,103	\$ (1,377)

For the Fiscal Year Ended June 30, 1992

(Expressed in Thousands)								
Workmen's Compensation Administration			State Public School Building Authority			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 16,356	\$ 20,839	\$ 4,483	\$	\$	\$	\$ 948,856	\$ 962,249	\$ 13,393
. . . .	. . . .	. . . .	. . . .	. . . .	. . . .	756,894	800,309	43,415
. . . .	. . . .	. . . .	1,270	1,092	(178)	469,370	468,187	(1,183)
. . . .	. . . .	. . . .	1,133	1,133	. . . .	112,818	112,818	. . . .
2,300	797	(1,503)	2,301	1,383	(918)	105,151	82,536	(22,615)
18,656	21,636	2,980	4,704	3,608	(1,096)	2,393,089	2,426,099	33,010
. . . .	. . . .	. . . .	. . . .	. . . .	. . . .	618,410	434,164	(184,246)
18,656	21,636	2,980	4,704	3,608	(1,096)	3,011,499	2,860,263	(151,236)
20,839	20,268	571	3,579	3,521	58	477,619	461,256	16,363
. . . .	. . . .	. . . .	. . . .	. . . .	. . . .	222,207	216,483	5,724
. . . .	. . . .	. . . .	. . . .	. . . .	. . . .	643,191	586,884	56,307
. . . .	. . . .	. . . .	. . . .	. . . .	. . . .	1,950	1,735	215
. . . .	. . . .	. . . .	. . . .	. . . .	. . . .	1,189,062	1,186,053	3,009
20,839	20,268	571	3,579	3,521	58	2,534,029	2,452,411	81,618
. . . .	. . . .	. . . .	. . . .	. . . .	. . . .	618,410	434,164	184,246
20,839	20,268	571	3,579	3,521	58	3,152,439	2,886,575	265,864
(2,183)	1,368	3,551	1,125	87	(1,038)	(140,940)	(26,312)	114,628
343	343	. . . .	. . . .	. . . .	. . . .	33,126	33,126	. . . .
. . . .	. . . .	. . . .	. . . .	. . . .	. . . .	44,883	. . . .	(44,883)
343	343	. . . .	. . . .	. . . .	. . . .	78,009	33,126	(44,883)
(1,840)	1,711	3,551	1,125	87	(1,038)	(62,931)	6,814	69,745
11,641	11,641	. . . .	13,105	13,105	. . . .	110,966	110,966	. . . .
<u>\$ 9,801</u>	<u>\$ 13,352</u>	<u>\$ 3,551</u>	<u>\$ 14,230</u>	<u>\$ 13,192</u>	<u>\$ (1,038)</u>	<u>\$ 48,035</u>	<u>\$ 117,780</u>	<u>\$ 69,745</u>



Coal Miner

The coal miner of 1908 was a member of a threatening army which rebelled against ancient economic conditions. In this tile, the coal miner crouches in a subterranean gallery, which has been pumped free of water or fire damps. The miner digs lumps of hard or soft coal with a pick axe from the deep strata of the Susquehanna, Lehigh, or Allegheny mines.



Debt Service Funds



(THIS PAGE INTENTIONALLY LEFT BLANK)

DEBT SERVICE FUNDS DESCRIPTIONS

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.

Disaster Relief Redemption Fund — these funds account for the payment of principal and interest on bonds issued for the rehabilitation of areas of the Commonwealth affected by the floods of 1971, 1972, and 1977. Funding consists of transfers from the General Fund.

Water Facilities Loan 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 and port facilities and water control systems. Funding consists of transfers from the General Fund and the Water Facilities Loan Fund.

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.

Pennsylvania Higher Educational Facilities Authority — to account for the payment of principal and interest on bonds issued by the Pennsylvania Higher Educational Facilities Authority (PHEFA). The PHEFA acts as the financing authority for the construction and improvement of higher educational institutions. Funding consists of rental payments collected for the use of the facilities.

State Public School Building Authority — to account for the payment of principal and interest on bonds issued by the State Public School Building Authority (SPSBA). The SPSBA acts as a financing authority for the construction and improvement of public school facilities. Funding consists of rental payments collected for the use of the facilities and transfers from the SPSBA Special Revenue Fund.

Land and Water Development Sinking Fund — to account for the payment of principal and interest on bonds issued for the acquisition, development and improvements to Commonwealth land and water facilities. Funding consists of transfers from the General Fund.

Other — these funds account for the payment of principal and interest on bonds issued for loans to local water companies for improvements to water supply systems, to nursing homes and volunteer fire companies, for the promotion of economic redevelopment and for compensation to Vietnam Veterans. Funding consists primarily of transfers from the General Fund.

**COMBINING BALANCE SHEET
DEBT SERVICE FUNDS**

June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Disaster Relief Redemption	Water Facilities Loan Redemption	Capital Debt	Pennsylvania Higher Educational Facilities Authority	State Public School Building Authority	Land and Water Development Sinking	Other	Total
ASSETS								
Cash	\$ 1	\$ 1	\$.	\$ 537	\$ 10	\$.	\$ 5	\$ 554
Cash with fiscal agents	356	174	35,040			3,432	3,079	42,081
Temporary investments		12	9,143	41,011	1,050	4	3,713	54,933
Long-term investments				76,229	12,122			88,351
Receivables, net:								
Accounts			18,155					18,155
Accrued interest			32	1,100	192		2,721	4,045
Lease rental			36,205					36,205
Due from other funds		12					39,762	39,777
TOTAL ASSETS	\$ 357	\$ 199	\$ 98,575	\$ 118,877	\$ 13,374	\$ 3,439	\$ 49,280	\$ 284,101
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$.	\$.	\$ 34	\$.	\$.	\$.	\$.	\$ 34
Matured debt principal and interest payable	356	174	35,040			3,432	3,079	42,081
Due to other funds							6,183	6,183
Deferred revenue			54,360					54,360
Other liabilities		62	630				341	1,037
TOTAL LIABILITIES	356	236	90,064			3,436	9,603	103,695
Fund Balance:								
Reserved for:								
Long-term investments				76,229	12,122			88,351
Unreserved:								
Designated for:								
Debt Service:								
Retirement of general obligation bonds	1		8,511			3	39,718	48,233
Retirement of other bonds				42,648	1,252			43,900
Undesignated (deficit)		(37)					(41)	(78)
TOTAL FUND BALANCES (DEFICIT)	1	(37)	8,511	118,877	13,374	3	39,677	180,406
TOTAL LIABILITIES AND FUND BALANCES	\$ 357	\$ 199	\$ 98,575	\$ 118,877	\$ 13,374	\$ 3,439	\$ 49,280	\$ 284,101

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 1992**

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)							Total
	Disaster Relief Redemption	Water Facilities Loan Redemption	Capital Debt	Pennsylvania Higher Educational Facilities Authority	State Public School Building Authority	Land and Water Development Slaking	Other	
REVENUES:								
Investment income	\$	\$ 33	\$ 673	\$ 20,057	\$ 1,473	\$	\$ 4,133	\$ 26,369
Lease rental principal and interest	. . . . .	. . . . .	4,808	. . . . .	. . . . .	. . . . .	. . . . .	4,808
Other	. . . . .	. . . . .	181	1,026	2,168	. . . . .	. . . . .	3,375
TOTAL REVENUES	. . . . .	33	5,662	21,083	3,641	. . . . .	4,133	34,552
EXPENDITURES:								
Debt Service:								
Principal retirement	6,050	7,345	423,310	46,535	37,395	22,200	26,065	568,900
Interest and fiscal charges	4,606	8,018	256,134	109,263	18,403	14,155	16,147	426,726
TOTAL EXPENDITURES	10,656	15,363	679,444	155,798	55,798	36,355	42,212	995,626
REVENUES UNDER EXPENDITURES	(10,656)	(15,330)	(673,782)	(134,715)	(52,157)	(36,355)	(38,079)	(961,074)
OTHER FINANCING SOURCES (USES):								
Refunding bond proceeds	. . . . .	. . . . .	. . . . .	96,077	104,301	. . . . .	. . . . .	200,378
Operating transfers in	10,655	15,257	678,323	156,886	55,533	36,355	40,965	993,974
Operating transfers out	. . . . .	. . . . .	. . . . .	(14,887)	(4,968)	. . . . .	(3,917)	(23,772)
Payment to refunded bond escrow agent	. . . . .	. . . . .	. . . . .	(96,077)	(104,301)	. . . . .	. . . . .	(200,378)
NET OTHER FINANCING SOURCES	10,655	15,257	678,323	141,999	50,565	36,355	37,048	970,202
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1)	(73)	4,541	7,284	(1,592)	. . . . .	(1,031)	9,128
FUND BALANCES, JULY 1, 1991	2	36	3,970	111,593	14,966	3	1,208	131,778
RESIDUAL EQUITY TRANSFER IN	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	39,500	39,500
FUND BALANCES (DEFICIT), JUNE 30, 1992	1	(37)	8,511	118,877	13,374	3	39,677	180,406

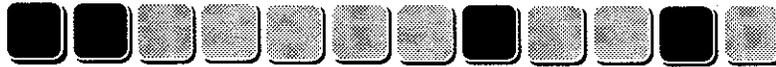


Clearing the Forest

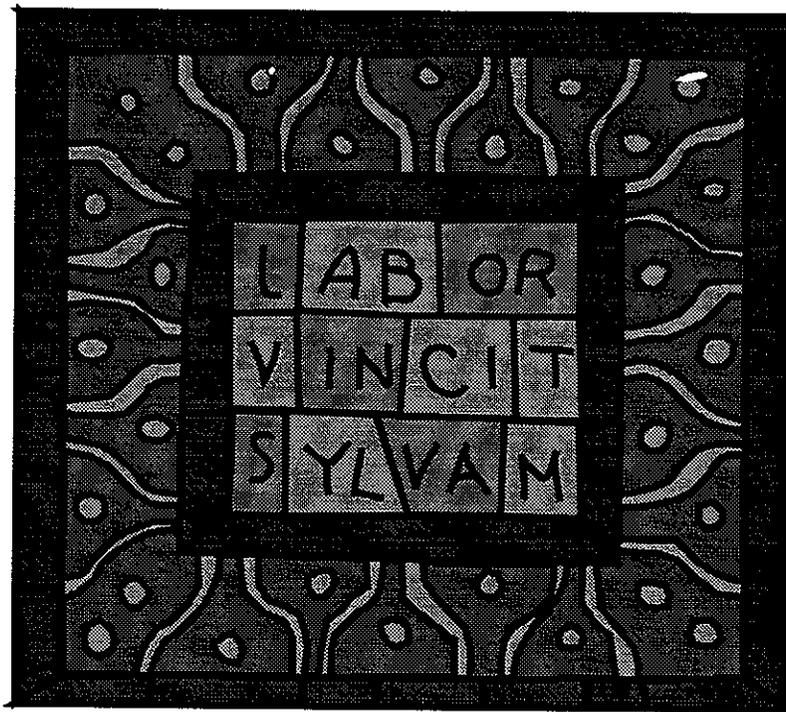
LABOR VINCIT SYLVAM

(Labor conquers the forest)

This Latin inscription refers to the work of the thousands of human hands of the colonists, who felled the primeval forest of Pennsylvania. The colonists burned logs and brush, dug out roots, and plowed and planted the virgin earth. Thus it happens that particles of charcoal can be found in nearly every square foot of Pennsylvania soil.



Capital Projects Funds



(THIS PAGE INTENTIONALLY LEFT BLANK)

CAPITAL PROJECTS FUNDS DESCRIPTIONS

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 the proceeds of general obligation bonds issued to meet the financing costs of capital projects specifically itemized and authorized by Capital Budget Acts.

Pennsylvania Higher Educational Facilities Authority — to account for proceeds of bonds issued to finance the construction and improvement of higher educational institutions.

State Public School Building Authority — to account for the proceeds of bonds issued to finance the construction and improvement of public school facilities.

Local Criminal Justice Fund — to account for the proceeds of bonds issued for grants to counties for the repair, expansion, construction, rehabilitation and improvement of local correctional facilities or multicounty regional prison facilities, or for the purchase of electronic monitoring equipment for alternative sentencing programs.

Land and Water Development Fund — to account for the proceeds of bonds issued to meet the financing costs for the acquisition, development and improvement to Commonwealth land and water facilities.

**COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS**

June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Capital Facilities	Pennsylvania Higher Educational Facilities Authority	State Public School Building Authority	Local Criminal Justice	Land and Water Development	Total
ASSETS						
Cash	\$ 7	\$ 726	\$ 26	\$ 66	\$ 4	\$ 829
Temporary investments	81,526	94,466	43,871	3,937	726	224,526
Long-term investments		47,335				47,335
Receivables, net:						
Accrued interest	333	436	42		3	814
Notes and loans			1,495			1,495
Due from other funds					129	129
TOTAL ASSETS	\$ 81,866	\$ 142,963	\$ 45,434	\$ 4,003	\$ 862	\$ 275,128
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 50,168	\$	\$ 4,181	\$	\$ 2,634	\$ 56,983
Due to other funds	2,626				50	2,676
Due to other governments					6	6
Other Liabilities		425	1,755			2,180
TOTAL LIABILITIES	52,794	425	5,936		2,690	61,845
Fund Balance:						
Reserved for:						
Encumbrances	256,601				432	257,033
Long-term investments		47,335				47,335
Unreserved:						
Designated for:						
Capital projects		95,203	39,498	4,003		138,704
Undesignated (deficit)	(227,529)				(2,260)	(229,789)
TOTAL FUND BALANCES (DEFICIT)	29,072	142,538	39,498	4,003	(1,828)	213,283
TOTAL LIABILITIES AND FUND BALANCES	\$ 81,866	\$ 142,963	\$ 45,434	\$ 4,003	\$ 862	\$ 275,128

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS**

For the Fiscal Year Ended June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Capital Facilities	Pennsylvania Higher Educational Facilities Authority	State Public School Building Authority	Local Criminal Justice	Land and Water Development	Total
REVENUES:						
Intergovernmental	\$ 2,574	\$	\$	\$	\$	\$ 2,574
Charges for goods and services	12,631	. . . .	. . . .	. . . .	. . . .	12,631
Investment income	5,651	10,228	3,817	67	45	19,808
Other .....	. . . .	3,724	348	124	13	4,209
TOTAL REVENUES	20,856	13,952	4,165	191	58	39,222
EXPENDITURES:						
General government	1,216	. . . .	. . . .	. . . .	. . . .	1,216
Public education .....	. . . .	231,733	68,468	. . . .	. . . .	300,201
Conservation of natural resources	5,837	. . . .	. . . .	14,919	. . . .	20,756
Economic development and assistance	52,237	. . . .	. . . .	. . . .	. . . .	52,237
Transportation	71,145	. . . .	. . . .	. . . .	. . . .	71,145
Capital outlay	154,731	. . . .	. . . .	. . . .	4,997	159,728
Debt service:						
Interest and fiscal charges	37	. . . .	. . . .	2	1	40
TOTAL EXPENDITURES	285,203	231,733	68,468	14,921	4,998	605,323
REVENUES UNDER EXPENDITURES	(264,347)	(217,781)	(64,303)	(14,730)	(4,940)	(566,101)
OTHER FINANCING SOURCES (USES):						
Bond proceeds	422,495	251,153	33,410	18,733	2,041	727,832
Operating transfers in .....	. . . .	107,464	2,112	. . . .	. . . .	109,576
Operating transfers out	(112,308)	(126,760)	(2,718)	. . . .	(44)	(241,830)
NET OTHER FINANCING SOURCES	310,187	231,857	32,804	18,733	1,997	595,578
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES...	45,840	14,076	(31,499)	4,003	(2,943)	29,477
FUND BALANCES, JULY 1, 1991	14,023	128,462	70,997	. . . .	1,115	214,597
RESIDUAL EQUITY TRANSFER OUT	(30,791)	. . . .	. . . .	. . . .	. . . .	(30,791)
FUND BALANCES (DEFICIT), JUNE 30, 1992	\$ 29,072	\$ 142,538	\$ 39,498	\$ 4,003	\$ (1,828)	\$ 213,283

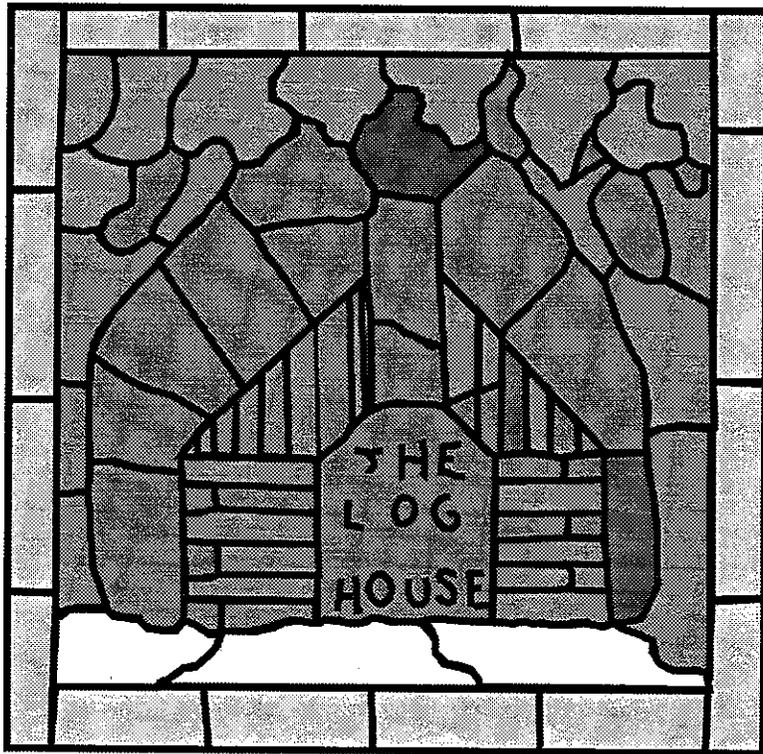


The Log House

Build a rectangle of heavy logs, notched at the ends to fit closely, with a wattled chimney smeared with clay. Saw out the doors and windows. Roof with bark or shingles, which have been split by hand, using a frow and club. Caulk with grass and clay, and you have the original house of the settler, which was copied from the ancient forest houses of Europe. It is still built in the wild regions of the Appalachians and the West. It survives in the East as a landmark, recalling a vanished human past, as forcibly as the ruined castles of Europe.



Enterprise Funds



(THIS PAGE INTENTIONALLY LEFT BLANK)

ENTERPRISE FUNDS DESCRIPTIONS

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.

Pennsylvania Turnpike Commission (PTC) — to account for the construction, operation and maintenance of the Pennsylvania Turnpike System. The PTC was created as an instrumentality of the Commonwealth with powers to issue revenue bonds payable from tolls and other revenues collected.

Pennsylvania Industrial Development Authority — to account for loans to local industrial development agencies to stimulate economic activity in areas of high unemployment. Earnings of the Authority and repayments of loans receivable are reinvested in additional loans.

State Workmen's Insurance Fund — to account for and provide workmen's compensation insurance to private employers in the Commonwealth, including those unable to obtain coverage from private insurance firms.

State Stores Fund — to account for the general operation 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.

Pennsylvania Higher Education Assistance Agency — to account for a variety of programs, such as scholarships and student loans, designed to provide financial assistance to students and institutions of higher education. Earnings of the Agency and repayments of loans receivable are retained for additional loans and programmatic purposes.

Pennsylvania Housing Finance Agency — to account for financing the construction and rehabilitation of housing units for sale or rent to low and moderate income persons and families or the elderly, and to make or purchase loans to finance the purchase, construction, improvement or rehabilitation of owner-occupied single-family residences. Earnings of the Agency and repayments of notes and loans receivable are reinvested for financing of additional projects.

Pennsylvania Infrastructure Investment Authority (PENNVEST) — to account for loans and other financing activities for the construction, improvement, repair or rehabilitation of drinking water supply and sewage disposal systems throughout the Commonwealth. PENNVEST was created as an instrumentality of the Commonwealth, funded by contributed capital from other funds and general obligation bonds authorized by referendum. Earnings of the authority and repayments of loans are reinvested for additional financing activities.

Other — to account for enterprise operations including activities associated with low interest loans to manufacturers, minority business loans, vocational rehabilitation services, and loans to volunteer fire, ambulance and rescue companies, and loans and grants issued to attract industrial, manufacturing or research and development enterprises to the Commonwealth of Pennsylvania.

**COMBINING BALANCE SHEET
ENTERPRISE FUNDS**

June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

ASSETS

	Pennsylvania Turnpike Commission (May 31, 1992)	Pennsylvania Industrial Developmental Authority	State Workmen's Insurance (Dec. 31, 1991)	State Stores	Pennsylvania Higher Education Assistance Agency	Pennsylvania Hearing Finance Agency	Pennsylvania Infrastructure Investment Authority	Other	Total
Cash	\$ 3,496	\$ 1,383	\$ 3,284	\$ 3,876	\$ 11,644	\$	\$ 4,784	\$ 487	\$ 28,954
Temporary investments	755,955	136,380	343,153	10,946	147,457	836,666	67,718	150,407	2,448,682
Long-term investments	34,825	12,855	659,239		206,647	155,809		183	1,069,558
Receivables, net:									
Accounts	6,304		33,042	1,657	9,337			94	50,434
Accrued interest	5,741	2,004	15,339	50	65,530			2,356	91,587
Loans		417,517			1,259,280	1,786,516	470,104	204,409	4,137,826
Other	21,564	12,509	166				3,148		15,657
Due from other funds								1,499	23,229
Due from other governments					38,086			12	38,098
Inventory	8,917			125,606				189	134,712
Fixed assets	2,245,577		8,914	49,195	62,115	3,492	131	23,655	2,393,079
Less: accumulated depreciation	(844,196)		(5,281)	(22,365)	(24,720)	(1,936)	(65)	(21,063)	(919,626)
Other assets	20,389	6,400	911	207	16,013	14,835	1,986	1	60,742
TOTAL ASSETS	\$ 2,258,572	\$ 589,048	\$ 1,058,767	\$ 169,172	\$ 1,791,389	\$ 2,795,382	\$ 548,373	\$ 362,229	\$ 9,572,932

LIABILITIES AND FUND EQUITY

	Pennsylvania Turnpike Commission (May 31, 1992)	Pennsylvania Industrial Developmental Authority	State Workmen's Insurance (Dec. 31, 1991)	State Stores	Pennsylvania Higher Education Assistance Agency	Pennsylvania Hearing Finance Agency	Pennsylvania Infrastructure Investment Authority	Other	Total
Liabilities:									
Accounts payable and accrued liabilities	\$ 111,933	\$ 238	\$ 6,358	\$ 71,431	\$ 57,291	\$ 63,975	\$ 2,101	\$ 4,794	\$ 318,121
Due to other funds	2,676	77	1,837	19,694	795	29	39,640	925	65,673
Due to other governments	19		25	356	11,615		3	4	12,022
Deferred revenue			42,321		38,427		371	2,739	83,858
Notes payable					437,690	75,637			513,327
Demand revenue bonds payable					385,000				385,000
Advances from other funds			2,000	66,000					68,000
Other liabilities	7,670	9,101	13,638		8,082				171,643
Insurance loss liability			916,235						916,235
Revenue bonds payable	1,064,977	276,658			624,880	2,274,633	142,500		4,383,648
TOTAL LIABILITIES	1,187,275	286,074	982,414	157,481	1,563,780	2,547,426	184,615	8,462	6,917,527
Fund Equity:									
Contributed capital	147,569	179,740		2,294		1,960	355,313	231,816	918,692
Retained earnings:									
Reserved	923,728		71,626		163,394	31,078		6,183	1,196,009
Unreserved		123,234	4,727	9,397	64,215	214,918	8,445	115,768	540,704
TOTAL FUND EQUITY	1,071,297	302,974	76,353	11,691	227,609	247,956	363,758	353,767	2,655,405
TOTAL LIABILITIES AND FUND EQUITY	\$ 2,258,572	\$ 589,048	\$ 1,058,767	\$ 169,172	\$ 1,791,389	\$ 2,795,382	\$ 548,373	\$ 362,229	\$ 9,572,932

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS**

For the Fiscal Year Ended June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Pennsylvania Tharpille Commission (May 31, 1992)	Pennsylvania Industrial Development Authority	State Workmen's Insurance (Dec. 31, 1991)	State Stores	Pennsylvania Higher Education Assistance Agency	Pennsylvania Housing Finance Agency	Pennsylvania Infrastructure Investment Authority	Other	Total
OPERATING REVENUES:									
Sales and services	\$ 263,019	\$	\$ 280,610	\$ 677,735	\$ 301,881	\$ 8,205	\$ 218	\$ 19,924	\$ 1,551,592
Investment income .....	.....	6,065	80,576	.....	16,204	43,363	3,148	8,070	137,426
Interest on notes and loans .....	.....	17,630	.....	.....	97,273	149,755	6,979	6,202	277,839
Other	6,579	897	.....	.....	.....	5,668	.....	1,222	14,366
TOTAL OPERATING REVENUES	269,598	24,592	361,186	677,735	415,358	206,991	10,345	35,418	2,001,223
OPERATING EXPENSES:									
Cost of sales and services	113,217	1,994	361,752	634,173	516,919	8,496	2,086	19,927	1,658,564
Interest expense .....	.....	18,920	368	.....	79,808	175,673	5,328	75	280,172
Depreciation	79,292	.....	911	4,653	6,437	237	25	721	92,276
Bad debts .....	.....	1,940	(158)	479	.....	400	3,473	11,988	18,122
TOTAL OPERATING EXPENSES	192,509	22,854	362,873	639,305	603,164	184,806	10,912	32,711	2,049,134
OPERATING INCOME (LOSS)	77,089	1,738	(1,687)	38,430	(187,806)	22,185	(567)	2,707	(47,911)
NONOPERATING REVENUES (EXPENSES):									
Investment income	20,917	.....	.....	2,353	.....	.....	.....	1,039	24,309
Interest expense	(23,170)	.....	.....	(34)	.....	.....	.....	(15)	(23,219)
Oil company franchise tax	21,564	.....	.....	.....	.....	.....	.....	.....	21,564
Other .....	.....	.....	.....	.....	.....	.....	.....	252	252
NONOPERATING REVENUES (EXPENSES), NET	19,311	.....	.....	2,319	.....	.....	.....	1,276	22,906
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEM	96,400	1,738	(1,687)	40,749	(187,806)	22,185	(567)	3,983	(25,005)
OPERATING TRANSFERS:									
Operating transfers in .....	.....	.....	.....	.....	205,494	.....	.....	.....	205,494
Operating transfers out .....	.....	.....	(10,000)	(41,816)	.....	.....	.....	(12,000)	(63,816)
OPERATING TRANSFERS, NET .....	.....	.....	(10,000)	(41,816)	205,494	.....	.....	(12,000)	141,678
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	96,400	1,738	(11,687)	(1,067)	17,688	22,185	(567)	(8,017)	116,673
Extraordinary Loss on Early Extinguishment of Debt	(43,500)	.....	.....	.....	.....	(2,345)	.....	.....	(45,845)
NET INCOME (LOSS)	52,900	1,738	(11,687)	(1,067)	17,688	19,840	(567)	(8,017)	70,828
RETAINED EARNINGS, AS RESTATED, JULY 1, 1991	870,828	121,496	88,040	10,464	209,921	226,156	9,012	129,968	1,665,885
RETAINED EARNINGS, JUNE 30, 1992	\$ 923,728	\$ 123,234	\$ 76,353	\$ 9,397	\$ 227,609	\$ 245,996	\$ 8,445	\$ 121,951	\$ 1,736,713

COMBINING STATEMENT OF CASH FLOWS ENTERPRISE FUNDS

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Pennsylvania Turnpike Commission (May 31, 1992)	Pennsylvania Industrial Development Authority	State Workmen's Insurance (Dec. 31, 1991)	State Stores
CASH PROVIDED FROM (USED FOR) OPERATIONS:				
Operating income (loss)	\$ 77,089	\$ 1,738	\$ (1,687)	\$ 38,430
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	79,292	.....	911	4,653
Amortization .....	.....	102	.....	.....
Provision for uncollectible accounts .....	.....	1,940	(158)	.....
Nonoperating revenues .....	.....	.....	.....	.....
Change in assets and liabilities:				
(Increase)/decrease in receivables	(2,318)	(1,071)	(8,968)	212
(Increase)/decrease in due from other funds .....	.....	.....	(41)	237
Increase in due from other governments .....	.....	.....	.....	.....
(Increase)/decrease in inventory	(1,816)	.....	.....	(28,822)
(Increase)/decrease in other assets	(12,838)	(215)	(306)	117
Increase/(decrease) in accounts payable and accrued liabilities	(2,567)	(107)	4,146	7,000
Increase/(decrease) in due to other funds .....	.....	2	590	2,529
Increase in due to other governments .....	.....	.....	4	139
Increase/(decrease) in deferred revenue .....	.....	(13)	9,844	.....
Increase in insurance loss liability .....	.....	.....	130,447	.....
Increase/(decrease) in other liabilities	462	6,775	(46,868)	.....
Total adjustments	60,215	7,413	89,601	(13,935)
NET CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES	137,304	9,151	87,914	24,495
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Proceeds from issuance of notes payable and revenue bonds .....	.....	.....	.....	.....
Principal paid on notes payable and revenue bonds .....	.....	.....	.....	.....
Operating transfers in .....	.....	.....	.....	.....
Operating transfers out .....	.....	.....	(10,000)	(41,816)
Increases in contributed capital .....	.....	35,000	.....	.....
NET CASH PROVIDED BY/(USED FOR) NONCAPITAL FINANCING ACTIVITIES .....	.....	35,000	(10,000)	(41,816)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from issuance of revenue bonds	621,586	.....	.....	.....
Principal paid on revenue bonds	(619,970)	.....	.....	.....
Interest paid on revenue bonds	(69,911)	.....	.....	.....
Increases in contributed capital .....	.....	.....	.....	.....
Decreases in contributed capital .....	.....	.....	.....	.....
Acquisition and construction of capital assets	(320,790)	.....	(2,278)	(7,125)
Loss on disposition of capital assets .....	.....	.....	.....	58
NET CASH PROVIDED BY/(USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(389,085)	.....	(2,278)	(7,067)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	(783,257)	(12,763,102)	(317,635)	(468,827)
Proceeds from sale and maturities of investments	986,295	12,719,424	242,167	490,857
Investment income	50,128	.....	.....	2,353
Investment expense .....	.....	.....	.....	(34)
NET CASH PROVIDED BY/(USED FOR) INVESTING ACTIVITIES	253,166	(43,678)	(75,468)	24,349
NET INCREASE/(DECREASE) IN CASH	1,385	473	168	(39)
CASH, JULY 1, 1991	2,111	910	3,116	3,915
CASH, JUNE 30, 1992	\$ 3,496	\$ 1,383	\$ 3,284	\$ 3,876

For the Fiscal Year Ended June 30, 1992

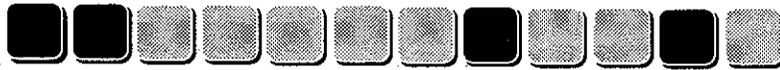
(Expressed in Thousands)

Pennsylvania Higher Education Assistance Agency	Pennsylvania Housing Finance Agency	Pennsylvania Infrastructure Investment Authority	Other	Total
\$ (187,806)	\$ 22,185	\$ (567)	\$ 2,707	\$ (47,911)
6,437	237	25	721	92,276
.....	4,184	294	.....	4,580
.....	400	3,473	11,988	17,643
.....	.....	.....	252	252
(143,949)	(113,618)	(176,593)	(47,394)	(493,699)
.....	.....	.....	1,152	1,348
(41)	.....	.....	(9)	(50)
.....	.....	.....	28	(30,610)
(1,402)	(2,102)	(1,409)	12	(18,143)
(3,158)	(5,226)	1,735	1,237	3,060
(80)	13	39,589	614	43,257
1,524	.....	1	3	1,671
7,211	.....	369	(9)	17,402
.....	.....	.....	.....	130,447
(2,568)	7,685	.....	.....	(34,514)
(136,026)	(108,427)	(132,516)	(31,405)	(265,080)
(323,832)	(86,242)	(133,083)	(28,698)	(312,991)
254,423	556,404	.....	.....	810,827
(22,061)	(185,640)	.....	.....	(207,701)
205,494	.....	.....	.....	205,494
.....	.....	.....	(12,000)	(63,816)
.....	.....	.....	9,161	44,161
437,856	370,764	.....	(2,839)	788,965
(1,999)	.....	82,500	.....	702,087
.....	.....	.....	.....	(619,970)
.....	.....	.....	.....	(69,911)
.....	.....	124,316	.....	124,316
.....	.....	(48,203)	.....	(48,203)
(11,747)	(484)	(15)	(1,033)	(343,472)
.....	.....	.....	3	61
(13,746)	(484)	158,598	(1,030)	(255,092)
(562,390)	(992,478)	(607,549)	(437,672)	(16,932,910)
440,183	708,440	583,898	469,449	16,640,713
.....	.....	.....	1,027	53,508
.....	.....	.....	(15)	(49)
(122,207)	(284,038)	(23,651)	32,789	(238,738)
(21,929)	.....	1,864	222	(17,856)
33,573	.....	2,920	265	46,810
\$ 11,644	\$	\$ 4,784	\$ 487	\$ 28,954



Franklin & His Kite

Experimenting with electricity during a thunder storm in the fields near Philadelphia in June, 1752, Benjamin Franklin drew an electric spark down a kite string attached to a key. This was a world-celebrated experiment, which suggested lightning rods, and foreshadowed the telegraph.



Internal Service Funds



INTERNAL SERVICE FUNDS DESCRIPTIONS

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 and commissions.

Manufacturing Fund — to account for the manufacture and sale of goods by inmates in the institutions of the Department of Corrections.

**COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS**

June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)		
	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
ASSETS			
Cash	\$ 288	\$ 200	\$ 488
Temporary investments	11,674	4,650	16,324
Receivables, net:			
Accounts	33	.....	33
Accrued interest	44	16	60
Other .....	.....	659	659
Due from other funds	7,851	1,880	9,731
Due from other governments	253	22	275
Inventory	1,807	10,211	12,018
Fixed assets	32,072	13,492	45,564
Less: accumulated depreciation	(17,254)	(8,254)	(25,508)
Other assets .....	.....	17	17
TOTAL ASSETS	<u>\$ 36,768</u>	<u>\$ 22,893</u>	<u>\$ 59,661</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable and accrued liabilities	\$ 12,561	\$ 2,701	\$ 15,262
Due to other funds	165	150	315
Due to other governments	23	23	46
Deferred revenue .....	.....	29	29
TOTAL LIABILITIES	<u>12,749</u>	<u>2,903</u>	<u>15,652</u>
Fund Equity:			
Contributed capital	9,219	.....	9,219
Retained earnings:			
Unreserved	14,800	19,990	34,790
TOTAL FUND EQUITY	<u>24,019</u>	<u>19,990</u>	<u>44,009</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 36,768</u>	<u>\$ 22,893</u>	<u>\$ 59,661</u>

**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUNDS**

For the Fiscal Year Ended June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)		
	Purchasing	Manufacturing	Total
OPERATING REVENUES:			
Sales and services	\$ 71,033	\$ 21,810	\$ 92,843
Other .....	.....	13	13
TOTAL OPERATING REVENUES	71,033	21,823	92,856
OPERATING EXPENSES:			
Cost of sales and services	62,867	19,763	82,630
Depreciation	4,385	606	4,991
TOTAL OPERATING EXPENSES	67,252	20,369	87,621
OPERATING INCOME	3,781	1,454	5,235
NONOPERATING REVENUES (EXPENSES):			
Investment income	520	295	815
Interest expense	(417)	(4)	(421)
NONOPERATING REVENUES, NET	103	291	394
NET INCOME	3,884	1,745	5,629
RETAINED EARNINGS, AS RESTATED, JULY 1, 1991.	10,981	18,245	29,226
RESIDUAL EQUITY TRANSFER OUT	(65)	.....	(65)
RETAINED EARNINGS, JUNE 30, 1992	\$ 14,800	\$ 19,990	\$ 34,790

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

For the Fiscal Year Ended June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)		
	Purchasing	Manufacturing	Total
CASH PROVIDED FROM (USED FOR) OPERATIONS:			
Operating income	\$ 3,781	\$ 1,454	\$ 5,235
Adjustments to reconcile operating income to net cash used for operating activities:			
Depreciation	4,385	606	4,991
Changes in assets and liabilities:			
Increase in receivables	(26)	(507)	(533)
(Increase)/decrease in due from other funds	(501)	2,078	1,577
Decrease in due from other governments	141	126	267
(Increase)/decrease in inventory	62	(926)	(864)
Increase in other assets .....	.....	(15)	(15)
Increase/(decrease) in accounts payable and accrued liabilities	281	(474)	(193)
Decrease in due to other funds	(288)	(54)	(342)
Increase in due to other governments	6	6	12
Increase in deferred revenue .....	.....	29	29
Decrease in other liabilities .....	.....	(54)	(54)
TOTAL ADJUSTMENTS	4,060	815	4,875
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,841	2,269	10,110
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTS:			
Interest paid on revenue bonds	(409)	.....	(409)
Acquisition and construction of capital assets	(4,974)	(1,085)	(6,059)
Proceeds from sale of capital assets	1,420	.....	1,420
Loss on disposition of capital assets	245	.....	245
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(3,718)	(1,085)	(4,803)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(37,655)	(17,302)	(54,957)
Proceeds from sale and maturities of investments	33,178	15,725	48,903
Investment income	511	295	806
Investment expense	(8)	(4)	(12)
NET CASH USED FOR INVESTING ACTIVITIES	(3,974)	(1,286)	(5,260)
NET INCREASE (DECREASE) IN CASH	149	(102)	47
CASH, JULY 1, 1991	139	302	441
CASH, JUNE 30, 1992	\$ 288	\$ 200	\$ 488



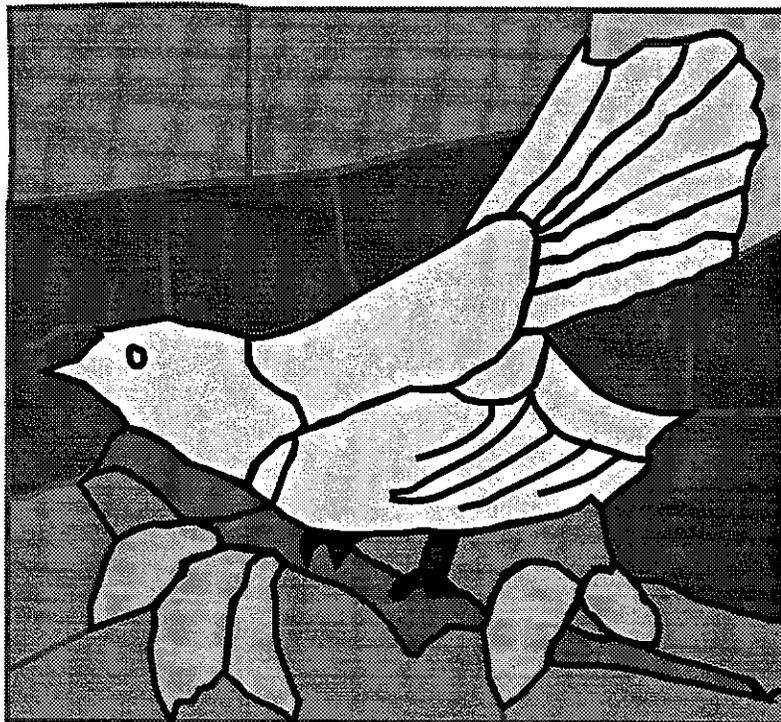
Catbird

(*Dumetella carolinensis*)

The slate-colored black-palled catbird is familiar near the Pennsylvania farmhouse and orchard from April to November. It nests with four greenish-blue unspotted eggs in a heavy twig nest. Many more people know well the mewing catlike note of the bird, than those few who recognize its full enthusiastic May song varied with the imitations of other bird notes.



Trust and Agency Funds



TRUST AND AGENCY FUNDS DESCRIPTIONS

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 Expendable Trust Funds, Pension Trust Funds and Agency Funds.

EXPENDABLE TRUST FUNDS

Unemployment Compensation Fund — to account for the receipt of employer and employe contributions under the unemployment compensation law, for the payment of unemployment compensation benefits to eligible individuals, to transfer and receive monies from the Federal Unemployment Trust Fund and to pay the interest due on the Federal Unemployment Compensation Title XII Advances.

Workmen's Compensation Security Trust Fund — to account for the payment of claims for compensation provided by the Workmen's Compensation Law to individuals who are insured by an insolvent stock insurance company and for the administrative costs to administer the program.

Catastrophic Loss Benefits Continuation Fund — to account for the payment of medical and rehabilitative expenditures in excess of \$100,000 to residents of Pennsylvania injured in a motor vehicle accident covered by the original Catastrophic Loss Trust Fund which is no longer in existence.

Other — to account for financial assistance to public schools or State Universities for repairs or alterations to buildings needed to satisfy the standards of the Department of Labor and Industry and for reimbursement to aggrieved individuals upon judgments against any person licensed by the Real Estate Commission.

PENSION TRUST FUNDS

State Employes' Retirement System — to account for the payment of retirement, disability and death benefits to members of the State Employes' Retirement System and their beneficiaries.

Public School Employes' Retirement System — to account for the payment of retirement, disability and death benefits to members of the Public School Employes' Retirement System and their beneficiaries.

TRUST AND AGENCY FUNDS—DESCRIPTIONS

AGENCY FUNDS

Social Security Contribution Fund — to hold the employers' and employees' social security deductions of Commonwealth and local government or other instrumentality employees and to remit such collections to the Federal Government.

Statutory Liquidator Fund — to convert the assets of insolvent insurance companies into cash for distribution to creditors, policyholders and stockholders.

Deferred Compensation Fund — to collect and administer funds contributed by Commonwealth employees who are deferring a portion of their income until future years, in accordance with Internal Revenue Code Section 457.

Fire Insurance Tax Fund — to collect a two-percent tax paid on premiums received from foreign (out-of-state) fire insurance companies conducting business in the Commonwealth and to distribute monies to local governments based on the amount of foreign fire insurance sold in their municipality. The municipalities must pay these monies to the relief, pension or retirement fund of their recognized fire fighting organization.

Municipal Pension Aid Fund — to collect a portion of the revenues from the Foreign Casualty Insurance Premium Tax and the Foreign Fire Insurance Premium Tax for distribution to municipalities for their distribution to the various municipal, police and fire pension funds.

Medical Professional Liability Catastrophe Loss Fund — to collect annual surcharges levied on health care providers to make available professional liability insurance at a reasonable cost to health care providers.

Other — to collect and administer funds from various sources for distribution to other governments and for the personal needs of patients and inmates at State institutions.

**COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS**

June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Expendable Trust Funds	Pension Trust Funds	Agency Funds	Total
ASSETS				
Cash	\$ 12,062	\$ 100	\$ 5,495	\$ 17,657
Cash with fiscal agents	1,010,286	.....	.....	1,010,286
Temporary investments	18,586	1,538,924	439,629	1,997,139
Long-term investments	260,615	29,670,915	127,461	30,058,991
Receivables, net:				
Taxes	302,950	.....	3,392	306,342
Accounts	6,548	.....	83,659	90,207
Accrued interest	6,382	287,563	1,616	295,561
Pension contributions .....	.....	219,127	.....	219,127
Other .....	.....	25,878	112	25,990
Due from other funds	13,505	274,389	2,770	290,664
Due from other governments	70,907	11,715	255	82,877
Fixed assets .....	.....	10,108	.....	10,108
Less: accumulated depreciation .....	.....	(2,469)	.....	(2,469)
Other assets .....	.....	460,706	19,899	480,605
TOTAL ASSETS	\$ 1,701,841	\$32,496,956	\$ 684,288	\$34,883,085
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 231,900	\$ 116,288	\$ 101,301	\$ 449,489
Investment purchases payable .....	.....	847,115	.....	847,115
Tax refunds payable	2,398	.....	.....	2,398
Due to other funds	11,502	670	988	13,160
Due to other governments	5,290	.....	198,105	203,395
Other liabilities .....	.....	.....	383,894	383,894
TOTAL LIABILITIES	251,090	964,073	684,288	1,899,451
Fund Balance:				
Reserved for:				
Encumbrances	3,213	.....	.....	3,213
Pension benefits .....	.....	31,532,883	.....	31,532,883
Long-term investments	260,615	.....	.....	260,615
Unreserved:				
Designated for:				
Other	206	.....	.....	206
Undesignated	1,186,717	.....	.....	1,186,717
TOTAL FUND BALANCES	1,450,751	31,532,883	.....	32,983,634
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,701,841	\$32,496,956	\$ 684,288	\$34,883,085

**COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS**

June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Unemployment Compensation	Workmen's Compensation Security Trust	Catastrophic Loss Benefits Continuation	Other	Total
ASSETS					
Cash	\$ 11,974	\$ 72	\$ 13	\$ 3	\$ 12,062
Cash with fiscal agents	1,010,286				1,010,286
Temporary investments	2,111	10,850	3,508	2,117	18,586
Long-term investments		260,040		575	260,615
Receivables, net:					
Taxes	302,950				302,950
Accounts		33	6,515		6,548
Accrued interest	71	6,284	20	7	6,382
Due from other funds	2,012	11,492		1	13,505
Due from other governments	70,907				70,907
TOTAL ASSETS	\$ 1,400,311	\$ 288,771	\$ 10,056	\$ 2,703	\$ 1,701,841
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 176,202	\$ 27,450	\$ 28,248	\$	\$ 231,900
Tax refunds payable	2,398				2,398
Due to other funds		2	11,500		11,502
Due to other governments	5,289		1		5,290
TOTAL LIABILITIES	183,889	27,452	39,749	. . . .	251,090
Fund Balance:					
Reserved for:					
Encumbrances		3,036		177	3,213
Long-term investments		260,040		575	260,615
Unreserved:					
Designated for:					
Other				206	206
Undesignated (deficit)	1,216,422	(1,757)	(29,693)	1,745	1,186,717
TOTAL FUND BALANCES (DEFICIT)	1,216,422	261,319	(29,693)	2,703	1,450,751
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,400,311	\$ 288,771	\$ 10,056	\$ 2,703	\$ 1,701,841

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS**

For the Fiscal Year Ended June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Unemployment Compensation	Workmen's Compensation Security Trust	Catastrophic Loss Benefits Continuation	Other	Total
REVENUES:					
Taxes	\$ 6,028	\$	\$	\$	\$ 6,028
Unemployment taxes	1,307,015	.....	.....	.....	1,307,015
Licenses and fees .....	.....	26,924	34,839	54	61,817
Intergovernmental	570,359	.....	.....	.....	570,359
Investment income	96,298	22,849	291	158	119,596
Other	164	2,123	311	.....	2,598
TOTAL REVENUES	1,979,864	51,896	35,441	212	2,067,413
EXPENDITURES:					
Current:					
General government .....	.....	4,206	823	47	5,076
Protection of persons and property .....	.....	40,828	21,657	90	62,575
Public health and welfare	2,425,899	.....	.....	.....	2,425,899
Public education .....	.....	.....	.....	28	28
Debt service:					
Interest and fiscal charges	4	.....	4	7	15
TOTAL EXPENDITURES	2,425,903	45,034	22,484	172	2,493,593
REVENUES OVER (UNDER) EXPENDITURES	(446,039)	6,862	12,957	40	(426,180)
OTHER FINANCING SOURCES:					
Operating transfers in .....	.....	.....	.....	8	8
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(446,039)	6,862	12,957	48	(426,172)
FUND BALANCES (DEFICIT), JULY 1, 1991	1,662,461	254,457	(42,650)	2,655	1,876,923
FUND BALANCES (DEFICIT), JUNE 30, 1992	\$ 1,216,422	\$ 261,319	\$ (29,693)	\$ 2,703	\$ 1,450,751

**COMBINING BALANCE SHEET
PENSION TRUST FUNDS**

June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	State Employees' Retirement System (December 31, 1991)	Public School Employees' Retirement System	Total
ASSETS			
Cash	\$ 1	\$ 99	\$ 100
Temporary investments	324,143	1,214,781	1,538,924
Long-term investments	11,394,913	18,276,002	29,670,915
Receivables, net:			
Accrued interest	71,580	215,983	287,563
Pension contributions .....	.....	219,127	219,127
Other	25,878	.....	25,878
Due from other funds	126,074	148,315	274,389
Due from other governments	11,715	.....	11,715
Fixed assets	100	10,008	10,108
Less: accumulated depreciation	(95)	(2,374)	(2,469)
Other assets .....	.....	460,706	460,706
TOTAL ASSETS	<u>\$11,954,309</u>	<u>\$20,542,647</u>	<u>\$32,496,956</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 14,066	\$ 102,222	\$ 116,288
Investment purchases payable .....	.....	847,115	847,115
Due to other funds	156	514	670
TOTAL LIABILITIES	<u>14,222</u>	<u>949,851</u>	<u>964,073</u>
Fund Balance:			
Reserved for:			
Pension benefits	11,940,087	19,592,796	31,532,883
TOTAL FUND BALANCES	<u>11,940,087</u>	<u>19,592,796</u>	<u>31,532,883</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$11,954,309</u>	<u>\$20,542,647</u>	<u>\$32,496,956</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
PENSION TRUST FUNDS**

For the Fiscal Year Ended June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)		
	State Employees' Retirement System (December 31, 1991)	Public School Employees' Retirement System	Total
OPERATING REVENUES:			
Investment income	\$ 2,154,704	\$ 1,712,985	\$ 3,867,689
Pension contributions	550,574	1,322,698	1,873,272
TOTAL OPERATING REVENUES	<u>2,705,278</u>	<u>3,035,683</u>	<u>5,740,961</u>
OPERATING EXPENSES:			
Cost of sales and services	8,380	14,507	22,887
Interest expense	428	214	642
Depreciation	8	1,216	1,224
Benefit payments and refunds	651,138	1,013,610	1,664,748
TOTAL OPERATING EXPENSES	<u>659,954</u>	<u>1,029,547</u>	<u>1,689,501</u>
OPERATING INCOME	<u>2,045,324</u>	<u>2,006,136</u>	<u>4,051,460</u>
OPERATING TRANSFERS:			
Operating transfers in	13,384	6,294	19,678
Operating transfers out	(4,534)	(17,034)	(21,568)
OPERATING TRANSFERS, NET	<u>8,850</u>	<u>(10,740)</u>	<u>(1,890)</u>
NET INCOME	<u>2,054,174</u>	<u>1,995,396</u>	<u>4,049,570</u>
FUND BALANCES, JULY 1, 1991	<u>9,885,913</u>	<u>17,597,400</u>	<u>27,483,313</u>
FUND BALANCES, JUNE 30, 1992	<u>\$11,940,087</u>	<u>\$19,592,796</u>	<u>\$31,532,883</u>

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For the Fiscal Year Ended June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Balance July 1, 1991	Additions	Deductions	Balance June 30, 1992
SOCIAL SECURITY CONTRIBUTION FUND				
ASSETS				
Cash	\$	\$ 10,870	\$ 10,870	\$
Temporary investments	13,522	932	9,938	4,516
Receivables, net:				
Accrued interest	69	698	751	16
Due from other governments	2,022	234	2,001	255
TOTAL ASSETS	\$ 15,613	\$ 12,734	\$ 23,560	\$ 4,787
LIABILITIES				
Due to other governments	\$ 15,613	\$	\$ 10,826	\$ 4,787
TOTAL LIABILITIES	\$ 15,613	\$	\$ 10,826	\$ 4,787
STATUTORY LIQUIDATOR FUND				
ASSETS				
Cash	\$	\$ 18,740	\$ 18,740	\$
Temporary investments	98,774	118,136	98,774	118,136
Long-term investments	9,990	37,694	640	47,044
Receivables, net:				
Accounts	23,261	58,120	7,635	73,746
Accrued interest	558	517	558	517
Other assets	1,092	16,499	1,063	16,528
TOTAL ASSETS	\$ 133,675	\$ 249,706	\$ 127,410	\$ 255,971
LIABILITIES				
Other liabilities	\$ 133,675	\$ 249,598	\$ 127,302	\$ 255,971
TOTAL LIABILITIES	\$ 133,675	\$ 249,598	\$ 127,302	\$ 255,971
DEFERRED COMPENSATION FUND (December 31)				
ASSETS				
Cash	\$ 1	\$ 51,333	\$ 51,333	\$ 1
Temporary investments	6,273	12,738	9,558	9,453
Long-term investments	43,630	35,674	. . . .	79,304
Receivables, net:				
Accrued interest	39	459	460	38
Other	64	112	64	112
TOTAL ASSETS	\$ 50,007	\$ 100,316	\$ 61,415	\$ 88,908
LIABILITIES				
Accounts payable and accrued liabilities	\$ 49,802	\$ 88,802	\$ 49,932	\$ 88,672
Due to other funds	205	236	205	236
TOTAL LIABILITIES	\$ 50,007	\$ 89,038	\$ 50,137	\$ 88,908

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS — (continued)**

For the Fiscal Year Ended June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Balance July 1, 1991	Additions	Deductions	Balance June 30, 1992
FIRE INSURANCE TAX FUND				
ASSETS				
Cash	\$ 1	\$ 100,019	\$ 100,020	\$
Temporary investments	49,929	50,127	50,241	49,815
Receivables, net:				
Accrued interest	250	177	250	177
TOTAL ASSETS	<u>\$ 50,180</u>	<u>\$ 150,323</u>	<u>\$ 150,511</u>	<u>\$ 49,992</u>
LIABILITIES				
Due to other funds	\$ 250	\$ 177	\$ 250	\$ 177
Due to other governments	49,930	49,778	49,893	49,815
TOTAL LIABILITIES	<u>\$ 50,180</u>	<u>\$ 49,955</u>	<u>\$ 50,143</u>	<u>\$ 49,992</u>
MUNICIPAL PENSION AID FUND				
ASSETS				
Cash	\$ 1	\$ 265,482	\$ 265,483	\$
Temporary investments	115,190	137,569	135,501	117,258
Receivables, net:				
Accrued interest	566	937	1,089	414
Due from other funds	378	274	378	274
TOTAL ASSETS	<u>\$ 116,135</u>	<u>\$ 404,262</u>	<u>\$ 402,451</u>	<u>\$ 117,946</u>
LIABILITIES				
Due to other governments	\$ 116,135	\$ 127,914	\$ 126,103	\$ 117,946
TOTAL LIABILITIES	<u>\$ 116,135</u>	<u>\$ 127,914</u>	<u>\$ 126,103</u>	<u>\$ 117,946</u>
MEDICAL PROFESSIONAL LIABILITY CATASTROPHE LOSS FUND				
ASSETS				
Cash	\$ 3,113	\$ 330,752	\$ 332,786	\$ 1,079
Temporary investments	104,864	168,085	167,377	105,572
Receivables, net:				
Accounts	465	97	465	97
Accrued interest	522	5,575	5,737	360
TOTAL ASSETS	<u>\$ 108,964</u>	<u>\$ 504,509</u>	<u>\$ 506,365</u>	<u>\$ 107,108</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,400	\$ 2,821	\$ 3,314	\$ 1,907
Due to other funds	38	89	99	28
Due to other governments	3	3	3	3
Other liabilities	106,523	157,800	159,153	105,170
TOTAL LIABILITIES	<u>\$ 108,964</u>	<u>\$ 160,713</u>	<u>\$ 162,569</u>	<u>\$ 107,108</u>

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS — (continued)**

For the Fiscal Year Ended June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

OTHER FUNDS

ASSETS

	Balance July 1, 1991	Additions	Deductions	Balance June 30, 1992
Cash.....	\$ 2,827	\$ 112,360	\$ 110,772	\$ 4,415
Temporary investments	19,878	60,970	45,969	34,879
Long-term investments.....	548	565	.....	1,113
Receivables, net:				
Taxes	4,144	3,392	4,144	3,392
Accounts	5,228	9,816	5,228	9,816
Accrued interest	94	99	99	94
Due from other funds .....	.....	2,496	.....	2,496
Other assets.....	2,725	3,264	2,618	3,371
TOTAL ASSETS	\$ 35,444	\$ 192,962	\$ 168,830	\$ 59,576

LIABILITIES

Accounts payable and accrued liabilities	\$ 4,613	\$ 17,744	\$ 11,635	\$ 10,722
Due to other funds	609	1,805	1,867	547
Due to other governments	8,776	46,852	30,074	25,554
Other liabilities	21,446	38,991	37,684	22,753
TOTAL LIABILITIES	\$ 35,444	\$ 105,392	\$ 81,260	\$ 59,576

TOTAL — ALL FUNDS

ASSETS

Cash.....	\$ 5,943	\$ 889,556	\$ 890,004	\$ 5,495
Temporary investments	408,430	548,557	517,358	439,629
Long-term investments.....	54,168	73,933	640	127,461
Receivables, net:				
Taxes	4,144	3,392	4,144	3,392
Accounts	28,954	68,033	13,328	83,659
Accrued interest	2,098	8,462	8,944	1,616
Other	64	112	64	112
Due from other funds	378	2,770	378	2,770
Due from other governments	2,022	234	2,001	255
Other assets.....	3,817	19,763	3,681	19,899
TOTAL ASSETS	\$ 510,018	\$1,614,812	\$1,440,542	\$ 684,288

LIABILITIES

Accounts payable and accrued liabilities	\$ 56,815	\$ 109,367	\$ 64,881	\$ 101,301
Due to other funds	1,102	2,307	2,421	988
Due to other governments	190,457	224,547	216,899	198,105
Other liabilities	261,644	446,389	324,139	383,894
TOTAL LIABILITIES	\$ 510,018	\$ 782,610	\$ 608,340	\$ 684,288



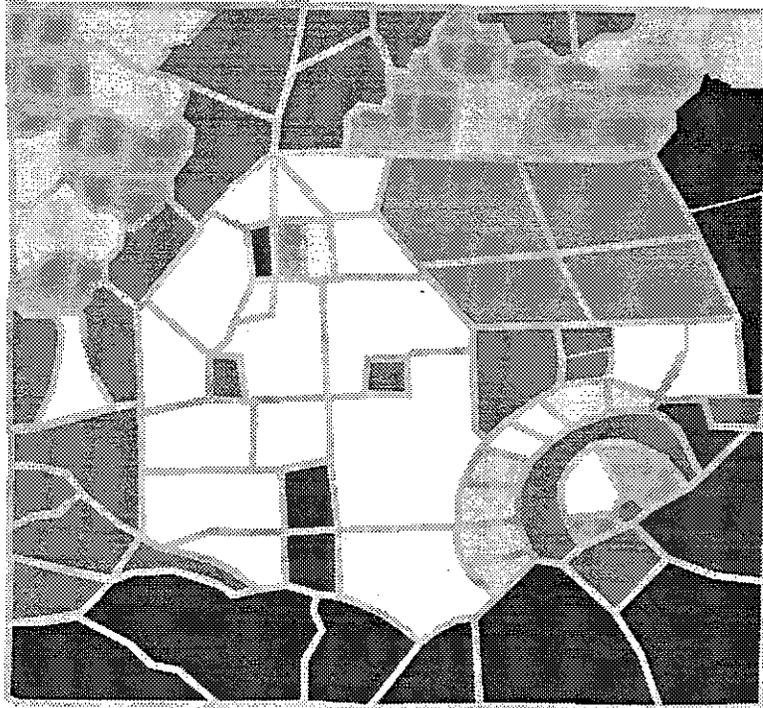
Gristmill

Grain-grinding by random blows or rubs of stone upon stone or wood, was succeeded by the quern mill. The quern was an ancient hand mill in which a stone disk, perforated in its center for the insertion of grain, and pivoted upon a larger rimmed disk, was made to revolve on the latter by a handle inserted near the circumference. As the primeval food-producing flour mill of Christendom, the quern survives in remote parts of Europe, and it survives (in 1897) as a paint grinder among the Pennsylvania German potters. Enlarged querns, powered by wind or water, (dating from remote European antiquity), constituted the flour and grist mills of eastern Pennsylvania until 1890. In that year the Austrian method of squeezing and crushing the grains between various sized rollers equipped with sieves was introduced. Grain production eventually moved to the cities, and the roadside mill yielded to the factory.



General Fixed Assets

Account Group



GENERAL FIXED ASSETS ACCOUNT GROUP DESCRIPTION

The General Fixed Assets Account Group is maintained to account for fixed assets acquired or constructed for general government purposes. These include all fixed assets except those accounted for in Proprietary and Pension Trust Funds and College and University Funds.

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY SOURCE *For the Fiscal Year Ended June 30, 1992*

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)			
	Balance July 1, 1991	Additions	Retirements		Balance June 30, 1992
GENERAL FIXED ASSETS:				
Land	\$ 216,446	\$ 6,177	\$ 103	\$ 222,520
Buildings	2,071,541	133,079	20,880	2,183,740
Improvements other than buildings	152,482	95	221	152,356
Furniture, machinery and equipment	440,204	39,137	26,527	452,814
	<u>2,880,673</u>	<u>178,488</u>	<u>47,731</u>	<u>3,011,430</u>
Construction in progress	130,961	158,113	132,002	157,072
Total General Fixed Assets	<u>\$3,011,634</u>	<u>\$ 336,601</u>	<u>\$ 179,733</u>	<u>\$3,168,502</u>
INVESTMENT IN GENERAL FIXED ASSETS:				
Acquired on or before June 30, 1986	\$2,091,742	\$	\$ 42,800	\$2,048,942
Acquired after June 30, 1986 from:				
General fund revenues	107,519	24,733	3,206	129,046
General obligation bonds	480,953	128,206	1,612	607,547
Federal grants	23,141	2,792	40	25,893
Special revenue funds	169,485	22,707	73	192,119
Donations	7,833	. . . . .	. . . . .	7,833
Confiscations .....	. . . . .	50	. . . . .	50
Total Sources	<u>2,880,673</u>	<u>178,488</u>	<u>47,731</u>	<u>3,011,430</u>
Construction in progress	130,961	158,113	132,002	157,072
Total Investment in General Fixed Assets	<u>\$3,011,634</u>	<u>\$ 336,601</u>	<u>\$ 179,733</u>	<u>\$3,168,502</u>

Funding sources for General Fixed Assets acquired on or before June 30, 1986 are not available.

SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION

June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

FUNCTION	Expressed in Thousands				Total
	Land	Buildings	Improvements Other Than Buildings	Furniture, Machinery And Equipment	
General government	\$ 5,330	\$ 400,283	\$ 23,095	\$ 56,895	485,603
Protection of persons and property	6,429	506,761	45,472	50,776	609,438
Public health and welfare	2,949	572,562	16,867	31,817	624,195
Public education	17,452	582,122	49,410	5,704	654,688
Conservation of natural resources	187,482	59,459	10,869	33,561	291,371
Economic development and assistance ..	.....	.....	.....	144	144
Transportation	2,878	62,553	6,643	273,917	345,991
TOTALS ALLOCATED TO FUNCTIONS	\$ 222,520	\$2,183,740	\$ 152,356	\$ 452,814	3,011,430
Construction in progress					157,072
TOTAL GENERAL FIXED ASSETS					\$3,168,502

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION

For the Fiscal Year Ended June 30, 1992

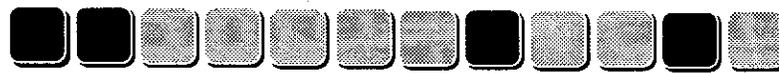
COMMONWEALTH OF PENNSYLVANIA

	Expressed in Thousands					Balance June 30, 1992
	Balance July 1, 1991	Additions	Retirements	Transfers In	Transfers Out	
General government	\$ 457,017	\$ 31,984	\$ 8,749	\$ 7,188	\$ 1,837	\$ 485,603
Protection of persons and property	526,092	83,881	1,283	1,483	735	609,438
Public health and welfare	626,915	24,697	34,621	7,739	535	624,195
Public education	637,232	17,575	78	.....	41	654,688
Conservation of natural resources	286,854	9,482	2,091	35	2,909	291,371
Economic development and assistance ..	144	.....	.....	.....	.....	144
Transportation	346,419	10,869	909	33	10,421	345,991
	2,880,673	178,488	47,731	16,478	16,478	3,011,430
Construction in progress	130,961	158,113	132,002	.....	.....	157,072
TOTALS	\$3,011,634	\$ 336,601	\$ 179,733	\$ 16,478	\$ 16,478	\$3,168,502

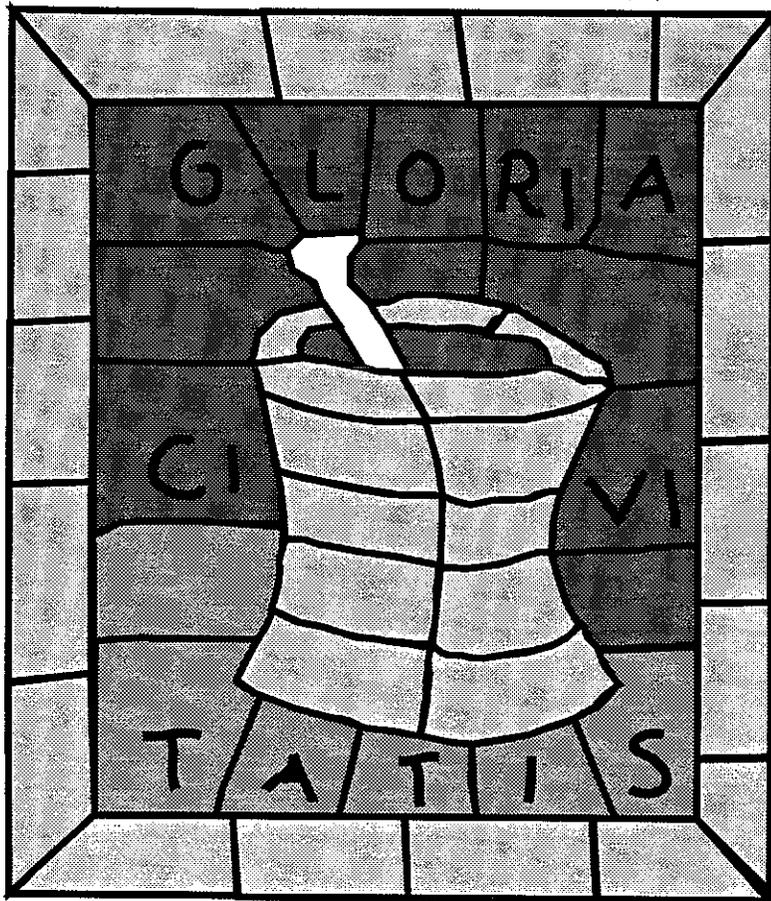


Medicine Mortar & Pestle.

The apothecary's assistant pounded drugs in a white marble mortar with a stone, wood, or porcelain pestle. The mortar and pestle was carved in wood, and often gilded, to symbolize the art of medicine. These symbols are still set above the pharmacy door as a sign. The mosaic, intended to express Pennsylvania's distinction in medicine, shows the Latin motto "Gloria Civitatis," which means "Glory of the State!"



College and University Funds



COLLEGE AND UNIVERSITY FUNDS DESCRIPTION

The College and University Funds, which comprise the State System of Higher Education, are used to account for the transactions relating to the Office of the Chancellor and the state-owned universities of the Commonwealth.

The state-owned universities of the Commonwealth are as follows:

Bloomsburg University
California University
Cheyney University
Clarion University
East Stroudsburg University
Edinboro University
Indiana University of Pennsylvania
Kutztown University
Lock Haven University
Mansfield University
Millersville University
Shippensburg University
Slippery Rock University
West Chester University

COMBINING BALANCE SHEET
College and University Funds

June 30, 1992

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds				Agency	Totals
	Unrestricted	Restricted			Unexpended	Retirement and Replacement	Retirement of Indebtedness	Investment in Plant		
ASSETS										
Cash	\$ 11,520	\$	\$	\$	\$	\$	\$	\$	\$	\$ 11,520
Temporary investments	213,503				32,198					245,701
Long-term investments	51	188		2,868						31,085
Receivables, net:										
Accounts	10,361	5,769				7			232	16,369
Accrued interest				115						115
Loans			22,911							22,911
Other	4,781				51					4,832
Due from other funds		6,422	1,051	3,588	39,287	41,485			9,182	112,594
Inventory	4,478									4,478
Fixed assets								472,700		472,700
Less: accumulated depreciation								(125,557)		(125,557)
Other assets	18,804	92			128					21,064
TOTAL ASSETS	\$ 263,498	\$ 12,471	\$ 23,962	\$ 6,571	\$ 71,664	\$ 41,492	\$ 41,597	\$ 347,143	\$ 9,414	\$ 817,812

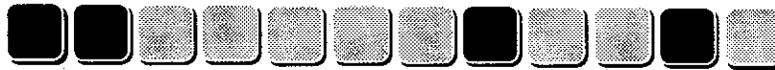
LIABILITIES AND FUND EQUITY

Liabilities:										
Accounts payable and accrued liabilities	\$ 78,894	\$ 1,363	\$	\$	\$ 6,228	\$ 1,661	\$ 1,150	\$ 1,049	\$ 350	\$ 90,695
Due to other funds	116,752							2,978		119,730
Deferred revenue	29,769									29,769
Notes payable								2,462		2,462
Other liabilities	28,324		3					3,457	9,064	40,848
Capital lease obligations					26,075			108,464		140,800
TOTAL LIABILITIES	253,739	1,363	3		32,303	1,661	7,411	118,410	9,414	424,304
Fund Equity:										
Investment in fixed assets								228,733		228,733
Fund Balance:										
Reserved for:										
Encumbrances	8,767	1,095			6,623	4,986				21,471
Loans receivable			23,959							23,959
Endowment and similar funds	10,686			6,571						17,257
Restricted fund balance		10,013			5,350	15,854	1,004			32,221
Other	12,962									12,962
Unreserved:										
Undesignated	(22,656)				27,388	18,991	33,182			56,905
TOTAL FUND EQUITY	9,759	11,108	23,959	6,571	39,361	39,831	34,186	228,733		393,508
TOTAL LIABILITIES AND FUND EQUITY	\$ 263,498	\$ 12,471	\$ 23,962	\$ 6,571	\$ 71,664	\$ 41,492	\$ 41,597	\$ 347,143	\$ 9,414	\$ 817,812

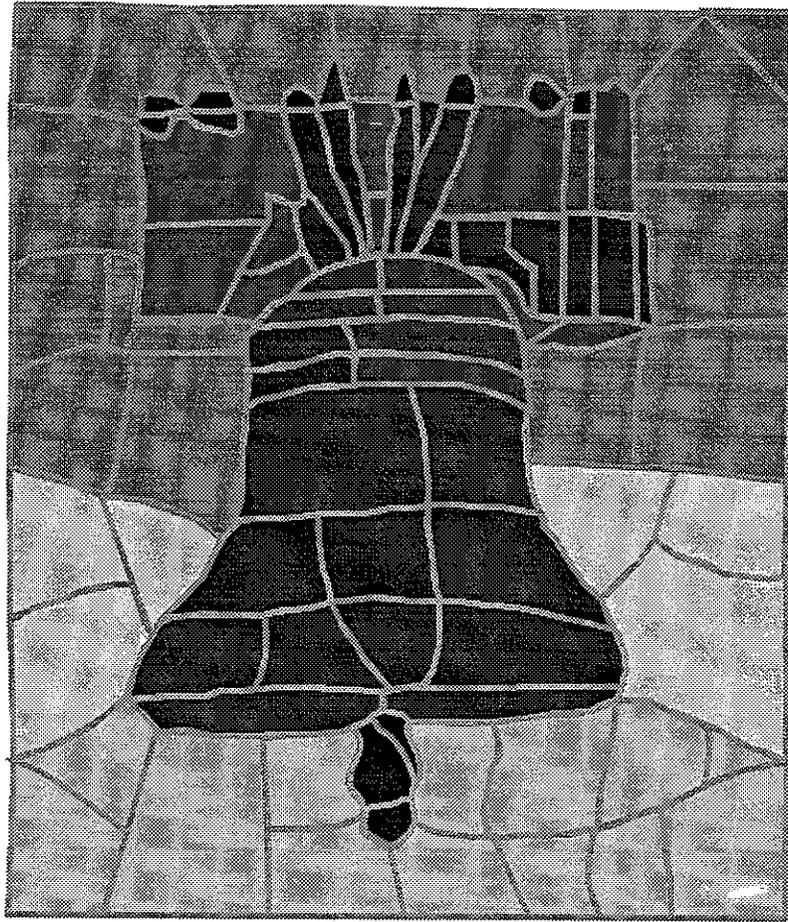


Liberty Bell

This greatly valued national relic is kept at the State House in Philadelphia. It measures twelve feet by four feet, and it weighs two thousand and eighty pounds. The motto, "Proclaim Liberty," is taken from Leviticus. It is also stamped with the caster's name, order of assembly, advertisement, and the date 1753. It rang at several crises in the Revolutionary War with England. The bell tolled at national funerals, and it was displayed at national exhibitions. The Liberty Bell cracked while tolling for Chief Justice John Marshall, on July 8, 1835.



Statistical Section



**REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES⁽¹⁾**

TABLE I
For the Last Ten Fiscal Years Ended June 30

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)									
	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
REVENUES BY SOURCE										
Taxes	\$ 7,854,895	\$ 9,122,306	\$ 9,551,576	\$ 9,970,214	\$ 10,652,020	\$ 10,888,272	\$ 11,758,767	\$ 12,052,117	\$ 11,980,586	\$ 15,444,361
Licenses and fees	477,592	504,439	524,927	540,234	564,781	588,526	629,370	661,265	685,196	699,141
Intergovernmental	2,895,041	3,071,788	3,490,865	3,745,396	3,751,334	3,873,583	4,248,709	4,358,109	5,165,068	6,004,765
Charges for sales and services	597,431	343,062	480,759	530,519	486,243	536,175	528,691	503,643	1,015,169	1,754,679
Investment income	99,689	134,141	203,872	195,202	194,900	193,945	226,190	221,835	156,280	141,433
Lottery receipts, net of prizes through 1986 ⁽²⁾	394,697	540,017	593,115	557,481	1,341,631	1,472,311	1,575,312	1,529,835	1,520,943	1,374,271
Other ⁽³⁾	135,678	129,727	122,191	231,346	185,341	153,580	281,251	389,318	411,195	343,661
TOTAL REVENUES	\$12,455,023	\$13,845,480	\$14,967,305	\$15,770,392	\$17,176,250	\$17,706,392	\$19,248,290	\$19,716,122	\$20,936,437	\$25,762,311
EXPENDITURES BY FUNCTION										
General government ⁽²⁾	\$ 798,991	\$ 906,842	\$ 829,609	\$ 803,909	\$ 1,516,385	\$ 1,741,126	\$ 1,873,466	\$ 1,921,076	\$ 1,890,388	\$ 1,917,410
Protection of persons and property	627,369	693,043	778,897	911,957	948,562	1,021,668	1,092,335	1,217,333	1,291,746	1,377,461
Public health and welfare	5,228,634	5,295,688	5,686,873	6,231,705	6,360,862	6,704,892	7,175,239	7,745,019	9,200,299	11,132,219
Public education	3,632,541	3,720,818	4,063,157	4,122,935	4,395,740	4,761,170	5,166,302	5,597,935	5,852,950	6,015,589
Conservation of natural resources	179,201	179,604	257,112	299,010	305,599	334,833	368,906	373,719	431,006	468,431
Economic development and assistance	113,304	164,791	158,107	187,614	206,355	346,037	349,767	363,950	315,362	302,028
Transportation	1,501,886	1,474,704	1,843,703	2,053,335	2,114,625	2,171,964	2,304,822	2,392,365	2,391,785	2,265,894
Capital outlay	175,401	157,946	345,881	463,671	476,118	274,336	229,753	168,807	298,506	207,168
Debt Service:										
Principal retirement	490,096	386,310	759,471	1,186,619	659,548	482,277	440,152	608,360	526,625	568,900
Interest and fiscal charges	178,987	346,924	358,358	407,066	405,701	408,968	448,482	455,574	452,986	487,479
TOTAL EXPENDITURES	\$12,926,410	\$13,326,670	\$15,081,168	\$16,667,821	\$17,389,495	\$18,247,271	\$19,449,224	\$20,844,138	\$22,651,653	\$24,742,579

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds
 (2) Prior to 1987, revenue and expenditures for lottery receipts and general government, respectively, were reported net of retailer commissions and retailer-paid prizes.
 (3) Prior to 1989, lease rental principal and interest payments, included as other revenue, were classified as an "Other Financing Source."

NET BONDED DEBT PER CAPITA

TABLE 2

For the Last Ten Fiscal Years

COMMONWEALTH OF PENNSYLVANIA

For The Fiscal Year Ended June 30	(Expressed in Thousands)		
	Net Bonded Debt	Population	Debt Per Capita
1982	\$4,450,236	11,845	\$376
1983	4,487,011	11,838	379
1984	4,483,573	11,816	379
1985	4,535,008	11,772	385
1986	4,529,393	11,784	384
1987	4,558,839	11,812	386
1988	4,698,645	11,847	397
1989	4,705,202	11,866	397
1990	4,633,507	11,893	390
1991	4,787,512	11,961	400

SOURCE: Population Information — U.S. Department of
Commerce, Bureau of the Census

**RATIO OF ANNUAL DEBT SERVICE REQUIREMENTS
FOR GENERAL BONDED DEBT
TO TOTAL GENERAL FUND EXPENDITURES**

TABLE 3

For the Last Ten Fiscal Years

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

For The Fiscal Year Ended June 30	Debt Service Requirements Funded by General Fund	Budgetary Basis General Fund Expenditures (1)	%
1983	\$ 301,727	\$10,038,371	3.00
1984	341,413	10,436,777	3.27
1985	359,200	11,223,622	3.20
1986	350,195	11,781,951	2.97
1987	371,702	12,395,674	3.00
1988	393,907	13,180,073	2.99
1989	381,617	13,949,111	2.74
1990	450,752	15,137,774	2.98
1991	456,325	16,251,111	2.81
1992	521,875	19,540,459	2.67

(1) Excludes encumbrances included in "Total Expenditures" in the Statement of Revenues, Expenditures and Changes in Unreserved/Undesignated Fund Balances—Budget and Actual (Budgetary Basis).

COMPUTATION OF LEGAL DEBT MARGIN

TABLE 4

As of August 31, 1992

COMMONWEALTH OF PENNSYLVANIA

Average annual tax revenues deposited in the previous five fiscal years	\$14,481,268,543
Constitutional factor	x 1.75
Constitutional debt limit for debt incurred without the approval of the electors	25,342,219,950
Less outstanding net debt (non electorate approved)	4,146,724,894
Legal debt margin	<u>\$21,195,495,056</u>

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 approved 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.

The figures above are abstracted from a certification of the Auditor General dated August 31, 1992.

SCHEDULE OF REVENUE BOND COVERAGE

TABLE 5

For the Last Ten Fiscal Years

COMMONWEALTH OF PENNSYLVANIA

Pennsylvania Turnpike Commission							
<i>(Expressed in Thousands)</i>							
For the Fiscal Year Ended May 31	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1983	\$131,083	\$ 72,985	\$ 58,098	\$ 7,349	\$ 4,120	\$ 11,469	5.07
1984	144,815	78,287	66,528	5,352	3,812	9,164	7.26
1985	154,542	82,230	72,312	6,451	3,604	10,055	7.19
1986	162,539	93,648	68,891	4,662	3,381	8,043	8.57
1987	180,692	101,692	79,000	2,299	46,500	48,799	1.62
1988	221,807	100,875	120,932	3,225	56,514	59,739	2.02
1989	245,192	105,619	139,573	4,070	58,789	62,859	2.22
1990	252,373	113,546	138,827	123,940	73,051	196,991	.70
1991	246,985	115,103	131,882	64,135	75,811	139,946	.94
1992	312,079	113,217	198,862	7,450	76,628	84,078	2.37

Pennsylvania Industrial Development Authority							
<i>(Expressed in Thousands)</i>							
For the Fiscal Year Ended June 30	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1983	\$19,058	\$1,211	\$17,847	\$ 5,655	\$ 8,933	\$14,588	1.22
1984	21,775	1,662	20,113	5,630	9,537	15,167	1.33
1985	24,658	1,783	22,875	6,735	13,167	19,902	1.15
1986	23,320	1,897	21,423	7,910	13,359	21,269	1.01
1987	23,370	1,574	21,796	8,620	12,433	21,053	1.04
1988	25,479	1,765	23,714	8,525	11,257	19,782	1.20
1989	29,477	2,223	27,254	8,505	10,584	19,089	1.43
1990	30,422	1,997	28,425	8,900	9,873	18,773	1.51
1991	28,963	2,055	26,908	8,440	11,015	19,455	1.38
1992	24,592	1,994	22,598	10,645	18,920	29,565	.76

Pennsylvania Housing Finance Agency							
<i>(Expressed in Thousands)</i>							
For the Fiscal Year Ended June 30	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest ^(a)	Total	
1983	\$109,023	\$18,793	\$ 90,230	\$ 3,440	\$ 77,010	\$ 80,450	1.12
1984	119,389	12,160	107,229	8,293	94,305	102,598	1.05
1985	146,205	10,686	135,519	8,180	119,420	127,600	1.06
1986	168,441	8,438	160,003	13,386	142,332	155,718	1.03
1987	159,034	8,088	150,946	14,987	136,625	151,612	1.00
1988	162,172	8,593	153,579	15,960	138,508	154,468	.99
1989	182,535	8,402	174,133	20,226	148,327	168,553	1.03
1990	199,101	9,133	189,968	21,568	157,104	178,672	1.06
1991	214,580	9,944	204,636	25,173	153,305	178,478	1.15
1992	206,991	8,496	198,495	28,118	172,146	200,264	.99

(a) Excludes interest on notes payable.

**ANNUAL ESTIMATES OF THE RESIDENT POPULATION —
PENNSYLVANIA COMPARED TO THE UNITED STATES**

TABLE 6

For the Last Ten Calendar Years

COMMONWEALTH OF PENNSYLVANIA

Calendar Year	(Expressed in Thousands)		%
	United States	Pennsylvania	
1982	231,996	11,845	5.1
1983	233,806	11,838	5.1
1984	235,847	11,816	5.0
1985	237,950	11,772	4.9
1986	240,162	11,784	4.9
1987	242,321	11,812	4.9
1988	244,534	11,847	4.8
1989	246,820	11,866	4.8
1990	249,466	11,893	4.8
1991	252,177	11,961	4.7

SOURCE: U.S. Department of Commerce, Bureau of the Census

**STATE BANKING INSTITUTIONS
DEMAND DEPOSITS AND TIME AND SAVINGS DEPOSITS**

TABLE 7

For the Last Ten Calendar Years

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

<u>Calendar Year</u>	<u>Demand Deposits</u>	<u>Time and Savings Deposits</u>
1982	\$6,489,537	\$38,144,921
1983	6,606,723	42,982,476
1984	5,263,282	39,356,857
1985	5,728,297	42,322,007
1986	6,632,325	45,351,526
1987	6,443,804	47,556,165
1988	6,558,607	50,347,975
1989	6,481,900	53,565,427
1990	6,453,740	50,542,812
1991	6,308,495	52,112,591

SOURCE: Pennsylvania Department of Banking

TABLE 8
**RESIDENT EMPLOYMENT, UNEMPLOYMENT AND UNEMPLOYMENT RATE ---
 PENNSYLVANIA COMPARED TO THE UNITED STATES**
For the Last Ten Calendar Years

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
(Expressed in Thousands except percent)										
COMMONWEALTH OF PENNSYLVANIA										
PENNSYLVANIA										
Civilian labor force	5,489	5,505	5,479	5,527	5,637	5,653	5,764	5,857	5,901	5,933
Employment	4,889	4,855	4,981	5,084	5,251	5,333	5,470	5,592	5,583	5,524
Unemployment	600	650	498	443	386	320	294	265	318	409
Rate %	10.9	11.8	9.1	8.0	6.8	5.7	5.1	4.5	5.4	6.9
UNITED STATES										
Civilian labor force	110,204	111,550	113,544	115,461	117,835	119,865	121,669	123,869	124,788	125,303
Employment	99,526	100,834	105,005	107,150	109,598	112,440	114,968	117,342	117,914	116,877
Unemployment	10,678	10,716	8,539	8,311	8,237	7,425	6,701	6,527	6,874	8,426
Rate %	9.7	9.6	7.5	7.2	7.0	6.2	5.5	5.3	5.5	6.7

SOURCE: Pennsylvania Department of Labor and Industry, Bureau of Employment Security

**TOTAL PERSONAL INCOME AND PER CAPITA PERSONAL INCOME—
PENNSYLVANIA COMPARED TO THE UNITED STATES**

TABLE 9

For the Last Ten Calendar Years

COMMONWEALTH OF PENNSYLVANIA

Calendar Year	TOTAL PERSONAL INCOME (Millions of Dollars)			PER CAPITA PERSONAL INCOME (Dollars)		
	United States	Pennsylvania	%	United States	Pennsylvania	%
1982	2,663,432	135,945	5.1	11,497	11,477	99.8
1983	2,834,385	142,183	5.0	12,123	12,010	99.1
1984	3,101,163	151,386	4.9	13,149	12,812	97.4
1985	3,317,545	160,820	4.9	13,942	13,661	98.0
1986	3,519,364	169,697	4.8	14,654	14,400	98.3
1987	3,754,577	180,559	4.8	15,494	15,286	98.7
1988	4,059,232	194,555	4.8	16,600	16,422	98.9
1989	4,378,166	208,938	4.8	17,738	17,608	99.3
1990	4,664,057	222,141	4.8	18,696	18,679	99.9
1991	4,812,082	228,786	4.8	19,082	19,128	100.2

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

THIRTY LARGEST NONGOVERNMENTAL EMPLOYERS

TABLE 10

For the Calendar Year 1991

COMMONWEALTH OF PENNSYLVANIA

EMPLOYER	RANK
Pennsylvania State University	1
The Bell Telephone Co. of Pennsylvania.....	2
K Mart Corporation	3
University of Pittsburgh	4
Trustees of the University of Pennsylvania	5
J.C. Penney Co., Inc.	6
Sears Roebuck and Company	7
Westinghouse Electric Corporation.....	8
U.S. Air, Incorporated	9
General Electric Company	10
Acme Markets, Inc.	11
United Parcel Service, Inc.	12
The Prudential Insurance Co. of America	13
Strawbridge & Clothier	14
Weis Markets Incorporated	15
Bethlehem Steel Corporation.....	16
Temple University	17
Philadelphia Electric Co.....	18
Mellon Bank, N.A.	19
Thomas Jefferson University.....	20
AMP Incorporated	21
Pennsylvania Power & Light Co.....	22
Hershey Foods Corporation	23
USX Corporation	24
Giant Food Stores, Inc.	25
Hills Department Stores, Inc.	26
Giant Eagle, Inc.	27
The Boeing Company	28
Pennsylvania Blue Shield.....	29
Merck & Co. Inc.	30

SOURCE: Pennsylvania Department of Labor and Industry, Office of Employment Security

**LIST OF MAJOR CORPORATIONS THAT MAINTAIN
THEIR CORPORATE HEADQUARTERS IN THE COMMONWEALTH**

TABLE 11

COMMONWEALTH OF PENNSYLVANIA

AMP Incorporated	Kennametal
Air Products and Chemicals, Inc.	Lukens Inc.
Alco Standard Corporation	Mellon Bank Corp.
Allegheny Ludlum Corporation	Meridian Bancorp, Inc.
Aluminum Company of America	Meritor Savings Bank
Ametek	Miles, Inc.
Armstrong World Industries, Inc.	Mylan Laboratories
Bell Atlantic Corporation	National Steel Corporation
Bethlehem Steel Corporation	P.H. Glatfelter Company
Betz Laboratories	PPG Industries, Inc.
Carpenter Technology Corporation	PNC Financial Corporation
Charming Shoppes	Pennsylvania Power & Light Co.
Cigna Corporation	Penn Traffic Co.
Comcast Corporation	Philadelphia Electric Co.
Consolidated Natural Gas Co.	Quaker State Corporation
Consolidated Rail Corporation	Rhone—Poulenc Rorer
CoreStates Financial Corporation	Rite Aid Corporation
Crown Cork and Seal Company, Inc.	Robertson—Ceco
Cyclops Industries, Inc.	Rohm and Haas Company
Dauphin Deposit Corporation	Scott Paper Company
DQE Corporation	Sun Company, Inc.
Equimark Corporation	USX Corporation
Equitable Resources	Union Pacific Corporation
Exide Corporation	UNISYS Corporation
H.J. Heinz Company	U.S. Healthcare
Harsco Corporation	VF Corporation
Hershey Foods Corporation	Weis Markets, Incorporated
Integra Financial Corporation	Westinghouse Electric Corporation
Intelligent Electron	Westmoreland Coal Co.
Joy Technologies	York International

SOURCE: The *Fortune* 500 and the *Forbes* 500 listings, published April 1992

JUNE 30, 1992

COMMONWEALTH OF PENNSYLVANIA

Date of Ratification of U.S. Constitution	December 12, 1787
Form of Government	Legislative-Executive-Judicial
Miles of State Highway	40,658
Land Area - in square miles	44,888
State Police Protection:	
Number of Stations	106
Number of State Police	4,321
Higher Education (Universities, Colleges and Community Colleges):	
Number of campuses in state	232
Number of educators	22,237
Number of students	623,627
Recreation:	
Number of State Parks	114
Area of State Parks	277,168 Acres
Area of State Forests	2,089,026 Acres

SOURCE:

Pennsylvania Department of Transportation, Bureau of Strategic Planning
 Pennsylvania State Police, Bureau of Research and Development
 Pennsylvania Department of Education, Division of Data Services
 Pennsylvania Department of Environmental Resources, Bureau of Forestry

(THIS PAGE INTENTIONALLY LEFT BLANK)