



*Comprehensive
Annual Financial Report
for the Fiscal Year Ended
June 30, 1993*

Commonwealth of

P E N N S Y L V A N I A



*Mark S. Singel
Lieutenant Governor, Acting Governor*

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 1993



Commonwealth of Pennsylvania

Mark S. Singel

Lieutenant Governor, Acting 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, 1993**

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	viii
Certificate of Achievement	xix
Organization and Officials Chart	xx
Hex Symbols	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	61
Combining Balance Sheet—Special Revenue Funds	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances— Special Revenue Funds	63
Combining Statement of Revenues, Expenditures and Changes in Unreserved/Undesignated Fund Balances—Budget and Actual (Budgetary Basis)— Budgeted Special Revenue Funds	64
Debt Service Funds	
Debt Service Funds—Descriptions	69
Combining Balance Sheet—Debt Service Funds	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances— Debt Service Funds	71
Capital Projects Funds	
Capital Projects Funds—Descriptions	75
Combining Balance Sheet—Capital Projects Funds	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances— Capital Projects Funds	77

	<u>Page</u>
Enterprise Funds	
Enterprise Funds—Descriptions	81
Combining Balance Sheet—Enterprise Funds	82
Combining Statement of Revenues, Expenses and Changes in Retained Earnings— Enterprise Funds	83
Combining Statement of Cash Flows—Enterprise Funds	84
Internal Service Funds	
Internal Service Funds—Descriptions	88
Combining Balance Sheet—Internal Service Funds	89
Combining Statement of Revenues, Expenses and Changes in Retained Earnings— Internal Service Funds	90
Combining Statement of Cash Flows—Internal Service Funds	91
Trust and Agency Funds	
Trust and Agency Funds—Descriptions	94
Combining Balance Sheet—Trust and Agency Funds	96
Combining Balance Sheet—Expendable Trust Funds	97
Combining Statement of Revenues, Expenditures and Changes in Fund Balances— Expendable Trust Funds	98
Combining Balance Sheet—Pension Trust Funds	99
Combining Statement of Revenues, Expenses and Changes in Fund Balances— Pension Trust Funds	100
Combining Statement of Changes in Assets and Liabilities— Agency Funds	101
General Fixed Assets Account Group	
General Fixed Assets Account Group—Description	106
Schedule of Changes in General Fixed Assets by Source	106
Schedule of General Fixed Assets by Function	107
Schedule of Changes in General Fixed Assets by Function	107
College and University Funds	
College and University Funds—Description	110
Combining Balance Sheet—College and University Funds	111

STATISTICAL SECTION

	<u>Table</u>	<u>Page</u>
Revenues by Source and Expenditures by Function—All Governmental Fund Types	1	114
Net Bonded Debt Per Capita	2	115
Ratio of Annual Debt Service Requirements for General Bonded Debt to Total General Fund Expenditures	3	116
Computation of Legal Debt Margin	4	117
Schedule of Revenue Bond Coverage	5	118
Annual Estimates of the Resident Population—Pennsylvania Compared to the United States	6	119
State Banking Institutions Demand Deposits and Time and Savings Deposits	7	120
Resident Employment, Unemployment and Unemployment Rate—Pennsylvania Compared to the United States	8	121
Total Personal Income and Per Capita Personal Income—Pennsylvania Compared to the United States	9	122
Thirty Largest Nongovernmental Employers	10	123
List of Major Corporations that Maintain their Corporate Headquarters in the Commonwealth	11	124
Miscellaneous Statistics	12	125

(THIS PAGE INTENTIONALLY LEFT BLANK)

COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE
HARRISBURG

December 22, 1993

MICHAEL H. HERSHOCK
SECRETARY
OFFICE OF THE BUDGET

To the Governor, Lieutenant Governor Mark S. Singel, 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, 1993, 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.

A very slow recovery from the national economic recession of 1990-91 with small gains in personal income, employment and consumer spending has kept the growth of tax revenue below those in normal economic recovery periods. For the 1992-93 fiscal year, on a budgetary basis, tax revenues increased less than one percent over the prior fiscal year. In addition to the low rate of economic growth, a personal income tax rate reduction in July 1992 contributed to the small increase in tax revenues for the fiscal year.

In spite of these trends, the Commonwealth ended the 1992-93 fiscal year with a \$242 million surplus on a budgetary basis, prior to the transfer of \$24 million to the Rainy Day Fund, while it fulfilled an aggressive agenda for opening four new prisons, expanding economic development and jobs programs, and providing for children's health, education and safety. The surplus was generated by containing the costs of medical assistance, refinancing our long-term debt and a determination to restrain spending in all areas of government operations.

During the fiscal year ending June 30, 1993, housing capacity for incarcerated offenders increased substantially as construction was completed on four new 1,000 cell State correctional institutions (SCI): Albion in Erie County, Coal Township in Northumberland County, Somerset in Somerset County, and Mahanoy in Schuylkill County. In addition, construction continued on a fifth 1,000 cell facility in Greene County that is expected to open near the end of 1993. A 192 bed cellblock was completed at SCI Smithfield and a 60 cell restricted housing unit was opened at SCI Rockview.

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 \$55.7 million from the General Fund to the Pennsylvania Economic Revitalization Fund (PERF) for use in assisting job creation efforts by local government.

Within PERF-funded programs, we provided \$12.1 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 provided \$5.8 million from the General Fund for the Industrial Resource Centers Program which establishes research facilities for jobs and for direct investment by private companies which will benefit from association with such a facility.

We provided \$6.8 million from the Sunny Day Fund to help private industries expand and to attract new businesses to Pennsylvania. We appropriated \$35.8 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 creating the Economic Development Partnership which establishes 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 \$5.05 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 \$1.29 billion for higher educational institutions and students.

The Commonwealth continued its commitment to military veterans by opening a 148 bed addition to the Hollidaysburg Veterans Home, continuing with renovations at the Southeastern Veterans Home that will provide 192 new nursing beds and continuing construction on a new 200 bed veterans home in Scranton.

During the 1992-93 fiscal year, several major pieces of legislation were enacted to create new programs and to expand existing programs:

- Act 1992-113, enacted in December 1992, established the Children's Health Care Program to provide free and subsidized comprehensive health care services to eligible children. Funds for this program are provided by a portion of the cigarette tax receipts estimated to be approximately \$20 million annually. This program is to expire on December 31, 1997.
- Act 1992-114, enacted in December 1992, gives the courts specific authority to order employers to enroll in their employer health care plan those children of their employees who are covered by medical support orders. Medical Assistance payments are expected to be reduced for those who would be covered by these provisions.
- Act 1992-128, enacted in December 1992, amended the Lottery Preservation Act to provide a mandatory generic drug program in the Pharmaceutical Assistance Contract for the Elderly (PACE) Program, and provided for the re-enactment and expansion of the Pharmaceutical Rebate Program.
- Act 1992-186, enacted in December 1992, amended the Public School Employees' Retirement Code to provide a 10 percent additional service credit as an incentive to school employees aged 55 and above, with at least 10 years of service, to retire between July 1, 1992 and August 31, 1993. This incentive is similar to that offered to State employees in the 1991-92 fiscal year.
- Act 1993-4, enacted in May of 1993, provided for assessments on securities agents and associated persons to provide funding for the operation of the Pennsylvania Securities Commission.

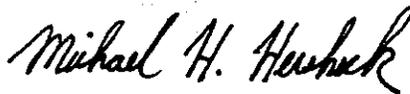
The Commonwealth continued to make significant investments in programs to support the economically needy through General Assistance, Aid to Families With Dependent Children, and Medical Assistance. The national economy caused a continual rise in caseloads throughout the year. Total expenditures for these programs by the Commonwealth and the Federal Government amounted to \$6.8 billion in the 1992-93 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 a Medical Assistance pooling program which provided contributions in 1992-93 totaling \$600 million. For the State Lottery Fund we focused attention on maintaining the financial integrity of the fund by increasing the transfer of selected program costs back to the General Fund.

Overall, the general purpose financial statements demonstrate our continued commitment to fiscal integrity. Our 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 to the Rainy Day Fund 10 percent of any budget surpluses and all of the proceeds received from the sale of certain state assets. 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 through these difficult times.

Sincerely,



Michael H. Herschok
Secretary
Office of the Budget

COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE
HARRISBURG

December 10, 1993

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, 1993. 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 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

In March 1994 the national economy will begin its fourth year of recovery from the 1990-91 recession. Recovery during the past three years has been extremely slow. One indication of the slow recovery is that since the end of the national recession in March 1991, the Commonwealth has not yet recovered the jobs it lost. Without growth in employment with the commensurate rise in wage and salary income of Pennsylvania residents, tax revenues to the Commonwealth are kept to a very low growth rate.

Although recovery has been slow, the Commonwealth's economy has performed better during the recession and recovery than have many of its regional neighbors. It has not, however, recovered as fast as the national average. The fiscal year 1993-94 budget anticipated a continued slow national economic recovery and a below average pace of recovery for the Commonwealth. Consequently, fiscal year 1993-94 revenue collections for the General Fund through the end of November were very close to the estimate. They were less than one percent above the projected amount and 4.5 percent above the year earlier period. The Commonwealth expects the current trend of a slow economic recovery in the state and the nation to continue over the remainder of the fiscal year and believes the current budget appropriately reflects the economic trends.

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 approximately 64 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, conservation of natural resources, economic development, transportation 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, 1993 the Commonwealth reported an unreserved/undesignated fund balance (budgetary basis) of \$218.0 million in the General Fund. This compares to a budgetary basis fund balance of \$8.8 million at June 30, 1992. The change in budgetary basis fund balance for the fiscal year ended June 30, 1993 was the result of revenue collections totaling \$21,653.6 million less appropriation authorizations totaling \$21,486.0 million, plus other net financing sources totaling \$41.6 million. Included in the \$21,486.0 million appropriation authorizations are \$125.1 million of state supplemental appropriations and \$565.1 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>
1989	\$ 385.1	\$ 290.4
1990	136.2	(248.9)
1991	(450.9)	(587.1)
1992	8.8	459.7
1993	218.0	209.2

Modified Accrual Basis: At June 30, 1993 the Commonwealth's General Fund reported a fund balance of \$698.9 million, an increase of \$611.4 million from the \$87.5 million fund balance at June 30, 1992. Total assets increased by \$1,099.2 million to \$3,242.9 million. Liabilities increased by \$487.8 million to \$2,544.0 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, 1993	June 30, 1992	Increase (Decrease)
Assets			
Cash and temporary investments	\$ 1,110.2	\$ 566.8	\$ 543.4
Receivables, net	1,108.6	743.6	365.0
Due from other funds/governments	1,021.4	831.1	190.3
Other assets	2.7	2.2	.5
Total Assets	\$ 3,242.9	\$ 2,143.7	\$ 1,099.2
Liabilities			
Accounts payable and other accrued liabilities	\$ 2,020.0	\$ 1,507.2	\$ 512.8
Due to other funds/governments	502.7	534.9	(32.2)
Deferred revenue	21.3	14.1	7.2
Total Liabilities	2,544.0	2,056.2	487.8
Fund Balance			
Reserved	260.7	226.1	34.6
Unreserved:			
Designated	373.8	.....	373.8
Undesignated (deficit)	64.4	(138.6)	203.0
Total Fund Balance (deficit)	698.9	87.5	611.4
Total Liabilities and Fund Balance	\$ 3,242.9	\$ 2,143.7	\$ 1,099.2

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, 1993 increased by \$732.2 million to \$1,960.0 million from a \$1,227.8 million balance at the beginning of the fiscal year. Unreserved/undesignated fund balances at June 30, 1993 amount to \$313.4 million as compared to a \$107.1 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 \$26,673 million. This represents a 3.5 percent increase over the previous fiscal year. Taxes constituted 58.0 percent of general governmental revenues; intergovernmental revenues, primarily Federal funds, constituted 26.1 percent.

Revenue Source	Fiscal Years Ended		Increase (Decrease)
	June 30, 1993	June 30, 1992	
Taxes	\$ 15,468	\$ 15,445	\$ 23
Licenses and fees	717	699	18
Intergovernmental	6,950	6,005	945
Charges for goods and services	1,654	1,755	(101)
Investment income	94	141	(47)
Lottery receipts	1,441	1,374	67
Lease rental principal and interest	176	173	3
Other	173	170	3
Total Revenues	\$ 26,673	\$ 25,762	\$ 911

Intergovernmental revenues increased by \$945 million due mainly to the increased participation in the Federal Medicare Program.

Charges for goods and services decreased by \$101 million due primarily to a reduction in the receipt of donations realized from pooling arrangements with medical assistance providers.

Taxes by Type	Fiscal Years Ended		Increase (Decrease)
	June 30, 1993	June 30, 1992	
Personal income	\$ 4,630	\$ 4,693	\$ (63)
Sales and use	4,899	4,589	310
Corporation	3,469	3,845	(376)
Liquid Fuels	683	628	55
Other	1,787	1,690	97
Total Taxes	<u>\$ 15,468</u>	<u>\$ 15,445</u>	<u>\$ 23</u>

General Governmental Expenditures by Function. Expenditures of the Commonwealth's General, Special Revenue, Debt Service and Capital Projects Funds totalled \$25,970 million, an increase of \$1,227 million over the previous fiscal year. Of the total amount expended, public health and welfare accounted for 43.5 percent, public education for 24.9 percent and transportation for 9.8 percent.

Expenditure Function	Fiscal Years Ended		Increase (Decrease)
	June 30, 1993	June 30, 1992	
General government	\$ 2,005	\$ 1,918	\$ 87
Protection of persons and property	1,467	1,378	89
Public health and welfare	11,288	11,132	156
Public education	6,461	6,016	445
Conservation of natural resources	484	468	16
Economic development and assistance	285	302	(17)
Transportation	2,537	2,266	271
Capital outlay	418	207	211
Debt service:			
Principal retirement	594	569	25
Interest and fiscal charges	431	487	(56)
Total Expenditures	<u>\$ 25,970</u>	<u>\$ 24,743</u>	<u>\$ 1,227</u>

Expenditures for public education increased by \$445 million or 7.4 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.

Expenditures for transportation increased by \$271 million or 12 percent over the previous fiscal year. Increases in the highway maintenance and highway safety programs comprise the largest portions of the transportation expenditure increase.

Expenditures for capital outlay increased by \$211 million or 102 percent over the previous fiscal year. This increase is due primarily to construction or renovations of the prison system within the Department of Corrections.

Expenditures for public health and welfare increased by \$156 million or 1.4 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.

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 September 1, 1993 was \$27.1 billion. Outstanding capital project debt at September 1, 1993 amounted to \$4.0 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, 1993 was \$5,041 million. Total debt service transfers paid from General Fund and Motor License Fund appropriations during the fiscal year ended June 30, 1993 amounted to \$787.5 million.

During the fiscal year ending June 30, 1994 the Office of the Budget projects general obligation bond issuances amounting to \$658 million, a decrease of \$487 million as compared to actual bond issuances of \$1,145 million during the fiscal year ended June 30, 1993. 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 \$482 million are forecast during fiscal 1994. 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>
1987	\$ 4,559
1988	4,699
1989	4,705
1990	4,634
1991	4,788
1992	4,874
1993	5,041

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, 1994, total General Fund revenues and budgeted expenditures, including Federal funds, are expected to increase by 3.7 percent and 5.8 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 \$600 million in General Fund tax anticipation notes during the 1993-94 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>
1990	\$ 955	8%
1991	1,400	12
1992	1,450	10
1993	975	7
1994 (Estimated)	600	4

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, 1993 are depicted below.

<u>Investment Type</u>	<u>Average Maturity (days)</u>	<u>Percent</u>
Commercial Paper (Moody's Prime One Rating or Equivalent)	29	25.7
United States Treasury and Agency Obligations	489	37.9
Repurchase Agreements	8	24.1
Certificates of Deposit	296	4.3
Corporate Bonds and Notes	487	.3
Other	1,249	7.7
		<u>100.0</u>

Temporary investments held by the Treasury Department amounted to \$4.5 billion, of the \$7.3 billion reported on the combined balance sheet, as of June 30, 1993. Interest on investments made by the Treasury Department during the fiscal year amounted to \$200.2 million at an average yield of 3.5 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 \$106 million; construction in progress at June 30, 1993 amounted to \$129 million. Authorized but unissued general obligation bonds at June 30, 1993 totalled \$15.2 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 provides loans for improving water and sewer systems. All enterprise funds reported retained earnings at June 30, 1993, totaling \$1,693 million, which represents a decrease of \$44 million from the \$1,737 million retained earnings reported the previous year.

Fiduciary type funds, including expendable trust funds and pension trust funds, reported total fund balances of \$35,840 million, compared to \$32,984 million in the previous year. Total fund balances of the expendable trust funds increased \$217 million over the previous fiscal year, for total reported fund balances of \$1,668 million at June 30, 1993. The two pension trust funds included in the Commonwealth's financial reporting entity reported combined fund balances of \$34,172 million, an increase of \$2,639 million over the previous 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, 1993 was \$451 million, compared to \$394 million at June 30, 1992.

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, 1993 amounted to \$3,274 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, 1992. This represents the seventh consecutive year the Commonwealth of Pennsylvania has received this award.

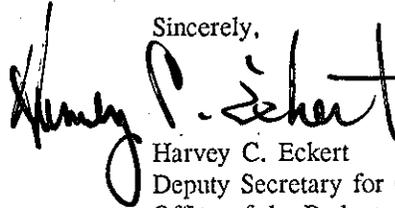
To merit a certificate of achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report which conforms to GFOA standards and satisfy both generally accepted accounting principles and applicable legal requirements. A certificate of achievement 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, 1993 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, 1992

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.



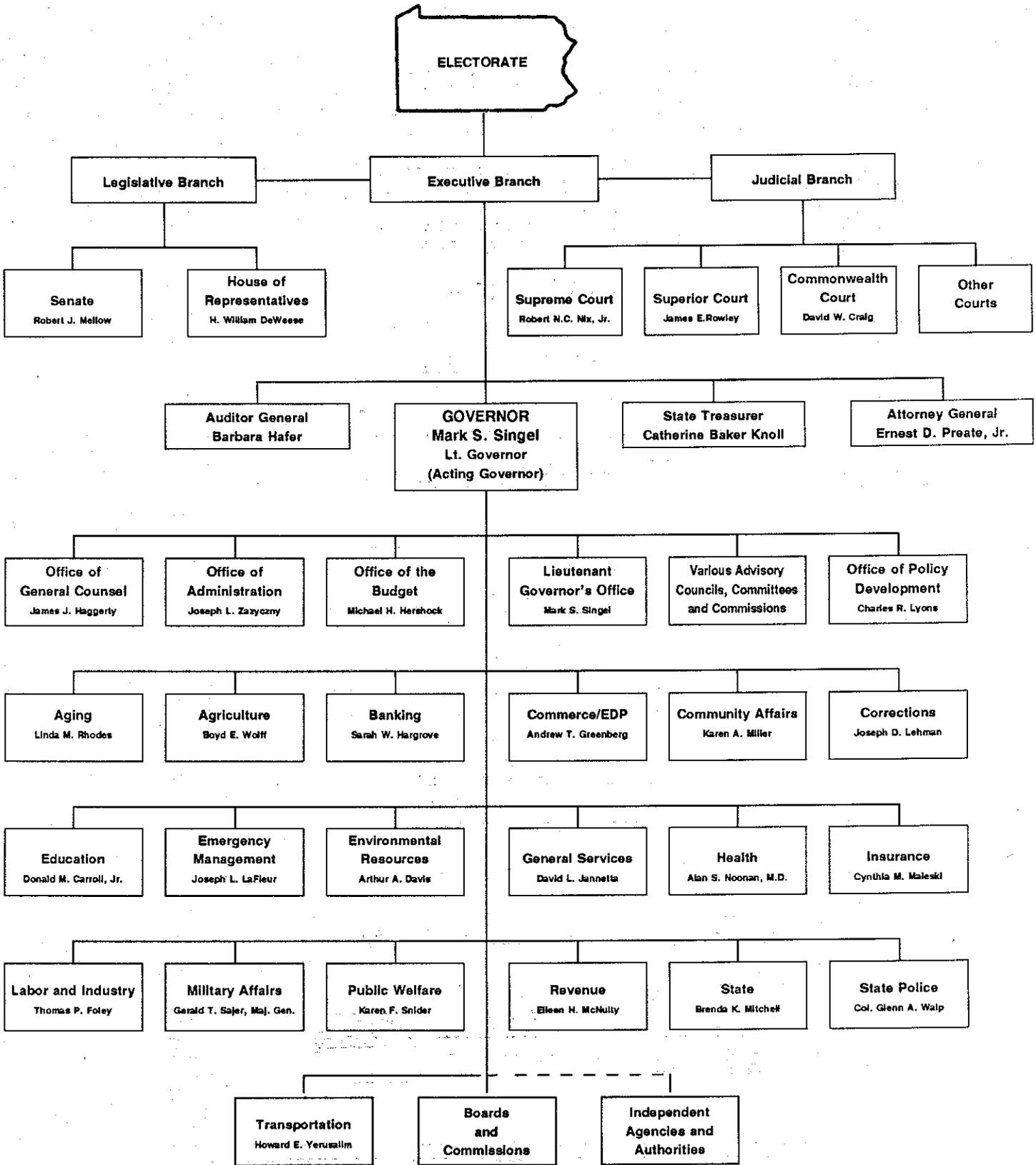
Arnold H. Hahn

President

Jeffrey L. Essler

Executive Director

**COMMONWEALTH OF PENNSYLVANIA
ORGANIZATION AND OFFICIALS CHART
JUNE 30, 1993**



Hex Symbols

(The divider pages of this Comprehensive Annual Financial Report pay tribute to the artistry and beliefs of a quaint group of people known as the Pennsylvania Dutch.)

Nestled in the mountain greenery and rolling hills of Southeastern Pennsylvania live a people who refuse to be erased, changed, or disturbed. They are the Pennsylvania Dutch. These people are an enigma to some, a paradox to many, and a pure phenomenon to most of us. Industrious, thrifty, superstitious, and deeply religious; they have carved marks so deeply in the culture of America, so as to defy change itself.

Historically, these persecuted refugees came to America seeking religious freedom. These included the Dutch Quakers, Mennonites, the Amish, French Huguenots, the Irish, German Lutherans, and many others looking for the same thing. They were looking for a land where they could — as William Penn had promised — find their peace. In Pennsylvania they found that peace. They settled down and made a home out of the wilderness. Here, they built their humble houses and great, enormous barns.

Lutherans and the people of the reformed tradition are those who are largely responsible for the use of the "Hex Sign or Barn Signs in Pennsylvania." Catholics as well as other protestant groups have all contributed to the grand display of these *signs* or *sign symbols* in the past and still do. Most of these Hex signs are made up of six pointed stars, teardrops, whirling geometric patterns or stationary ones, and DISTLEFINKS. Distlefinks are really Goldfinches or Pennsylvania Good Luck Birds. Doves and lilies, hearts and tulips also make up many of the patterns for the Hex signs. These are extremely colorful and uniquely devised bits of imagination and art. The most common colors used are red, yellow, green, and blue.

People who were born and raised in Southeastern Pennsylvania are not always too willing to talk about their fears or superstitious habits. Being ferhexed or having a spell removed from persons or cattle is not always made "public." One has to be a part of the group or acquainted with the Dutch people to get the whole story.

Hence, "chust fer nice" the Hex sign became a real force amongst these people who had their traditions in the past and their eyes in the future. It is reasonable to say, that mostly in Pennsylvania, the barns — (great, huge structures) — are marked with these unique, colorful Hex signs and geometric delicacies.

Today, there is still widespread use of the "Hex Signs" on barns and in the homes of the Dutch people. However, not everyone has a barn so the signs can be seen on garages, sheds, the gable-end of a house, playrooms, bathrooms, kitchen walls and cabinets, trays, boxes and other small items. The great mystery is in their use. Every sign has a meaning or can have. Some of the more common signs suggest fertility, love, rain, good luck, abundance, long life, and romance. Other signs suggest bright days, faith, hope, charity, protection, and many other meanings.

The Distlefink

An extremely popular Hex sign. Actually a Goldfinch, this bird has the distinction of being called a Distlefink because of its great desire to feed on "thistle seed" and use the thistle "down" for its nest. This sign appears among the earliest drawings of the Pennsylvania Germans and has been variously colored. The bird stands for "Good luck or good fortune"; the heart for love, and the tulips for faith, hope, and charity. The dutch expression Distlefink means "Thistlefinch."

FINANCIAL SECTION



The Distlefink



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 Mark S. Singel
Acting 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, 1993, 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 57, 48, 48 and 83 percent of total assets and 4, 69, 33 and 45 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 24 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 57, 48, 48, 27 and 65 percent of total assets and 4, 69, 33, 18 and 72 percent of total revenues, respectively, of the Special Revenue, Debt Service, Capital Projects, Enterprise and Pension Trust Funds and 24 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, 1993, 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.

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 Hofer

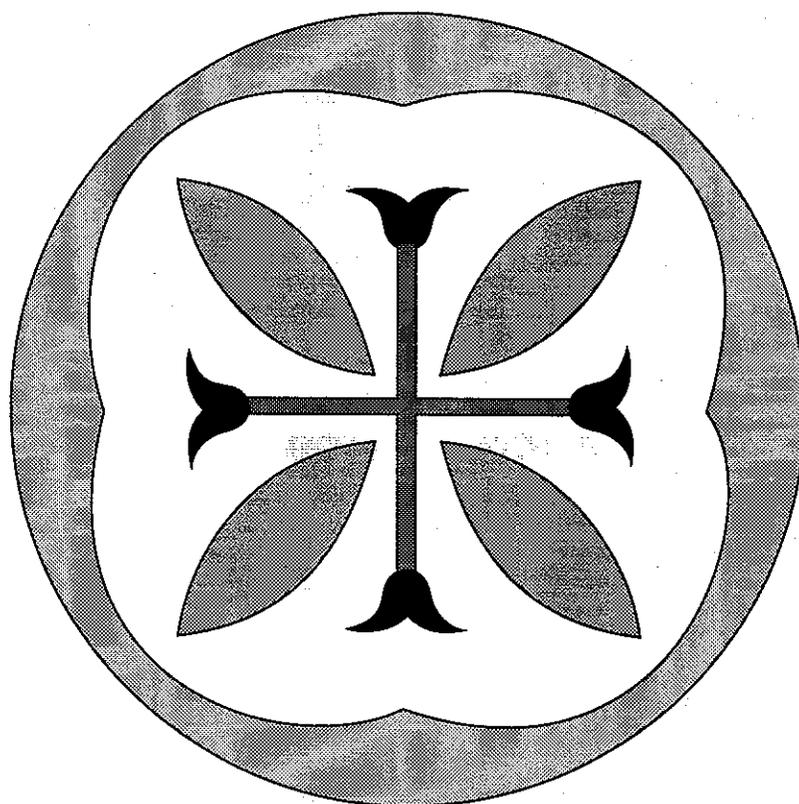
KPMG Peat Marwick

November 19, 1993, except for Note S
as to which the date is December 20, 1993

The Friendship Hex

The border of this sign creates another sign within itself. The tulips, which stand for faith, hope and charity are tied together by a mutual bond, the crossed bars. The rosette type stars are cross-like symbolizing a common humanity. All are bound together in a white field of friendship.

GENERAL PURPOSE FINANCIAL STATEMENTS



The Friendship Flex

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

June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type		Account Groups		Totals (Memorandum Only)
	General	Special Revenue		Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	College and University Funds	
		Debt Service	Capital Projects							
Assets:										
Cash—Note D	\$ 51,107	\$ 27,469	\$ 1,027	\$ 384	\$ 11,342	\$ 5,550	\$ 138,958			\$ 1,077,934
Cash with fiscal agents—Note D	.....	.....	33,993	.....	1,043,941	.....	1,077,934			7,251,927
Temporary investments—Note D	1,059,140	962,959	77,608	11,910	2,167,572	271,685	7,251,927			34,008,946
Long-term investments—Note D	.....	9,864	48,282	.....	32,823,816	56,953	34,008,946			.....
Receivables, net:										
Taxes—Note G	723,521	134,068	.....	.....	420,225	.....	1,277,814			562,237
Accounts	367,597	22,839	17,097	15	68,057	19,868	562,237			409,923
Accrued interest	16,197	3,120	1,744	27	307,168	71	409,923			4,569,637
Notes and loans—Note G	.....	104,114	.....	.....	.....	23,456	4,569,637			1,803,862
Lease rental—Note G	.....	1,789,255	14,607	.....	.....	.....	1,803,862			223,341
Pension contributions	.....	.....	.....	.....	223,341	.....	223,341			25,863
Other	1,321	6,420	4	366	153	4,716	25,863			466,275
Due from other funds—Note H	28,431	34,726	40,108	13,759	215,050	128,704	466,275			1,130,414
Due from other governments—Note F	922,781	103,918	.....	377	71,193	.....	1,130,414			70,175
Advances to other funds	70,175	.....	.....	.....	.....	.....	70,175			122,064
Inventory	.....	.....	.....	11,631	.....	4,542	122,064			6,567,676
Fixed assets—Note E	.....	.....	.....	50,064	10,877	543,576	6,567,676			(1,225,755)
Less: accumulated depreciation	.....	.....	.....	(25,762)	(3,860)	(148,748)	(1,225,755)			556,186
Other assets	2,678	.....	.....	4,962	457,493	22,716	556,186			.....
Other Debits:										
Amounts available in Commonwealth Funds for:										
Retirement of general obligation bonds	.....	.....	.....	.....	.....	53,474	53,474			112,987
Retirement of other bonds	.....	.....	.....	.....	.....	2,762	112,987			2,762
Other general long-term obligations—Note B	.....	.....	.....	.....	.....	.....	.....			4,987,464
Amounts to be provided for the retirement of:										
General obligation bonds	.....	.....	.....	.....	.....	.....	4,987,464			1,974,755
Other bonds	.....	.....	.....	.....	.....	.....	1,974,755			2,354,127
Other general long-term obligations	.....	.....	.....	.....	.....	.....	2,354,127			.....
TOTAL ASSETS AND OTHER DEBITS	\$ 3,242,948	\$ 3,198,752	\$ 234,470	\$ 67,733	\$ 37,816,368	\$ 3,274,122	\$ 9,485,569	\$ 933,089	\$ 568,523,046	

— See notes to financial statements. —

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

June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)										Totals (Memorandum Only)	
	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Type		Account Groups			College and University Funds
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
LIABILITIES, EQUITY AND OTHER CREDITS												
Liabilities:												
Accounts payable and accrued liabilities	\$ 1,690,006	\$ 522,716	\$ 34	\$ 44,316	\$ 277,824	\$ 10,336	\$ 604,794	\$ 791,177	\$	\$	\$ 79,251	\$ 3,229,277
Investment purchases payable							791,177					791,177
Tax refunds payable	330,024	616					1,823					332,463
Matured debt principal and interest payable			33,993									33,993
Due to other funds--Note H	234,819	29,916	1,295	1,417	65,972	2,967	13,377				137,255	487,018
Due to other governments	265,448	39,131		7	10,087	46	200,607					515,326
Deferred revenue	21,271	1,806,326	31,704		96,391						29,639	1,985,331
Notes payable--Note J				75,000	400,299	5,131					86	480,516
Demand revenue bonds payable--Note J					310,000							310,000
Advances from other funds					68,000							70,175
Other liabilities	2,435	2,175			185,548		364,479				45,764	602,040
Insurance loss liability		3	983	2,828	1,116,316							1,116,316
General obligation bonds payable--Note K												5,040,938
Bonds payable--Note K												2,087,742
Revenue bonds payable--Note K												4,422,706
Capital lease and other general long-term obligations--Note K					4,422,706							4,422,706
TOTAL LIABILITIES	2,544,003	2,400,883	68,009	123,568	6,953,143	18,480	1,976,257			2,356,889	481,935	24,051,847
Equity and Other Credits:												
Contributed capital--Note H												1,212,912
Investment in fixed assets					1,203,693						217,680	3,491,802
Retained earnings:												
Reserved--Note B					1,230,491							1,230,491
Unreserved					462,390	40,034						502,424
Fund balance:												
Reserved for:												
Encumbrances	183,792	178,859		247,942			3,317				27,574	641,484
Advances--Note B	70,175											70,175
Pension benefits								34,172,424				34,172,424
Loans receivable		104,114									25,032	129,146
Long-term investments		9,864	48,282	12,433			271,615					342,194
Endowment and similar funds											20,280	20,280
Restricted fund balance											35,373	35,373
Other--Note B	6,761	697									49,400	56,858
Unreserved:												
Designated for:												
Capital projects				160,994								160,994
Debt service:												
Retirement of general obligation bonds			53,474									53,474
Retirement of other bonds			64,705									64,705
Highways		96,242										96,242
Other--Note B	373,804	34,481					262					408,547
Undesignated (deficit)--Note C	64,413	373,612		(124,659)			1,392,493				75,815	1,781,674
TOTAL EQUITY AND OTHER CREDITS	698,945	797,869	166,461	296,710	2,896,574	49,253	35,840,111	3,274,122			451,154	44,471,199
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 3,242,948	\$ 3,198,752	\$ 234,470	\$ 420,278	\$ 9,849,717	\$ 67,733	\$37,816,368	\$ 3,274,122	\$ 9,485,569	\$ 933,089	\$ 68,523,046	

-- 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, 1993

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	\$14,038,554	\$ 1,428,947	\$	\$	\$ 5,779	\$15,473,280
Unemployment taxes .....	. . . .	. . . .	. . . .	. . . .	1,660,849	1,660,849
Licenses and fees	145,549	571,959	. . . .	. . . .	59,267	776,775
Intergovernmental	6,111,618	826,188	. . . .	11,877	1,156,435	8,106,118
Charges for sales and services	1,472,993	179,257	. . . .	1,925	. . . .	1,654,175
Investment income	39,780	35,360	7,939	11,283	90,049	184,411
Lottery revenues .....	. . . .	1,440,784	. . . .	. . . .	. . . .	1,440,784
Lease rental principal and interest .....	. . . .	171,408	4,589	. . . .	. . . .	175,997
Other	78,194	74,308	19,059	1,169	3,380	176,110
TOTAL REVENUES	21,886,688	4,728,211	31,587	26,254	2,975,759	29,648,499
EXPENDITURES:						
Current:						
General government	1,022,140	981,791	. . . .	707	5,744	2,010,382
Protection of persons and property	1,446,933	15,878	. . . .	4,074	55,082	1,521,967
Public health and welfare	10,612,174	676,378	. . . .	. . . .	2,697,998	13,986,550
Public education	6,456,780	2,873	. . . .	1,006	3	6,460,662
Conservation of natural resources	300,527	178,147	. . . .	4,970	. . . .	483,644
Economic development and assistance	226,422	52,641	. . . .	5,877	. . . .	284,940
Transportation	277,808	2,149,602	. . . .	109,484	. . . .	2,536,894
Capital outlay	39,977	28,429	. . . .	349,656	. . . .	418,062
Debt service:						
Principal retirement .....	. . . .	. . . .	594,472	. . . .	. . . .	594,472
Interest and fiscal charges	20,425	58	410,464	. . . .	. . . .	430,947
TOTAL EXPENDITURES	20,403,186	4,085,797	1,004,936	475,774	2,758,827	28,728,520
REVENUES OVER (UNDER) EXPENDITURES	1,483,502	642,414	(973,349)	(449,520)	216,932	919,979
OTHER FINANCING SOURCES (USES):						
Bond proceeds .....	. . . .	97,558	. . . .	550,627	. . . .	648,185
Refunding bond proceeds .....	. . . .	. . . .	189,266	. . . .	. . . .	189,266
Operating transfers in—Note H	306,530	433,910	999,605	44,601	4	1,784,650
Operating transfers out—Note H	(1,136,420)	(1,061,428)	(46,444)	(61,855)	. . . .	(2,306,147)
Payment to refunded bond escrow agent .....	. . . .	. . . .	(183,023)	. . . .	. . . .	(183,023)
Capital lease and installment purchase obligations	32,726	17,679	. . . .	. . . .	. . . .	50,405
NET OTHER FINANCING SOURCES (USES)	(797,164)	(512,281)	959,404	533,373	4	183,336
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES						
FUND BALANCES, JULY 1, 1992	87,455	746,661	180,406	213,283	1,450,751	2,678,556
RESIDUAL EQUITY TRANSFERS—NOTE H	(74,848)	(78,925)	. . . .	(426)	. . . .	(154,199)
FUND BALANCES, JUNE 30, 1993	\$ 698,945	\$ 797,869	\$ 166,461	\$ 296,710	\$ 1,667,687	\$ 3,627,672

— 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, 1993

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	\$13,855,800	\$13,838,060	\$ (17,740)	\$ 925,726	\$ 980,493	\$ 54,767
Lottery receipts .....	.....	.....	.....	776,018	797,097	21,079
Liquor store profits transfer	33,000	33,000	.....	.....	.....	.....
Licenses and fees	52,600	55,470	2,870	465,508	473,154	7,646
Fines, penalties and interest	23,900	23,093	(807)	.....	.....	.....
Departmental services	1,252,665	1,252,665	.....	61,594	61,594	.....
Miscellaneous	96,400	153,495	57,095	91,902	80,033	(11,869)
TOTAL STATE PROGRAMS	15,314,365	15,355,783	41,418	2,320,748	2,392,371	71,623
Federal Programs	6,639,398	6,297,778	(341,620)	562,635	532,389	(30,246)
TOTAL REVENUES	21,953,763	21,653,561	(300,202)	2,883,383	2,924,760	41,377
EXPENDITURES:						
State Programs:						
General government	1,250,821	1,212,633	38,188	485,101	477,500	7,601
Protection of persons and property	1,301,591	1,290,838	10,753	216,031	213,426	2,605
Public health and welfare	5,740,741	5,564,670	176,071	603,391	598,133	5,258
Public education	6,434,994	6,426,729	8,265	1,783	1,650	133
Conservation of natural resources	244,236	240,836	3,400	.....	.....	.....
Economic development and assistance	183,748	180,731	3,017	.....	.....	.....
Transportation	272,174	271,751	423	1,075,737	1,053,381	22,356
TOTAL STATE PROGRAMS	15,428,305	15,188,188	240,117	2,382,043	2,344,090	37,953
Federal Programs	6,639,398	6,297,778	341,620	562,635	532,389	30,246
TOTAL EXPENDITURES	22,067,703	21,485,966	581,737	2,944,678	2,876,479	68,199
REVENUES OVER (UNDER) EXPENDITURES	(113,940)	167,595	281,535	(61,295)	48,281	109,576
OTHER FINANCING SOURCES (USES):						
Prior year lapses	65,846	65,846	.....	35,978	35,978	.....
Transfer to tax stabilization reserve fund .....	.....	(24,226)	(24,226)	.....	.....	.....
Increase in budgeted revenues	41,418	.....	(41,418)	46,188	.....	(46,188)
NET OTHER FINANCING SOURCES	107,264	41,620	(65,644)	82,166	35,978	(46,188)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES — NOTE M	(6,676)	209,215	215,891	20,871	84,259	63,388
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JULY 1, 1992	8,818	8,818	.....	117,780	117,780	.....
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 1993	\$ 2,142	\$ 218,033	\$ 215,891	\$ 138,651	\$ 202,039	\$ 63,388

— 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, 1993

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Proprietary Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise		Internal Service	Pension Trust— Note I	
	Enterprise	Internal Service			
OPERATING REVENUES:					
Sales and services	\$ 1,592,060	\$ 96,279	\$	\$ 1,688,339	
Investment income	181,543	. . . .	2,964,940	3,146,483
Interest on notes and loans	277,910	. . . .	. . . .	277,910
Pension contributions .....	. . . .	. . . .	1,859,610	1,859,610
Other	13,193	25	. . . .	13,218
TOTAL OPERATING REVENUES	<u>2,064,706</u>	<u>96,304</u>	<u>4,824,550</u>	<u>6,985,560</u>	
OPERATING EXPENSES:					
Cost of sales and services	1,776,108	85,789	28,160	1,890,057	
Interest expense	273,052	. . . .	. . . .	273,052
Depreciation	132,719	5,257	1,391	139,367	
Bad debts	53,777	. . . .	. . . .	53,777
Benefit payments and refunds .....	. . . .	. . . .	2,164,538	2,164,538
Other	1,487	. . . .	. . . .	1,487
TOTAL OPERATING EXPENSES	<u>2,237,143</u>	<u>91,046</u>	<u>2,194,089</u>	<u>4,522,278</u>	
OPERATING INCOME (LOSS)	<u>(172,437)</u>	<u>5,258</u>	<u>2,630,461</u>	<u>2,463,282</u>	
NONOPERATING REVENUES (EXPENSES):					
Investment income	16,157	443	. . . .	16,600
Interest expense	(25,592)	(518)	. . . .	(26,110)
Oil Company Franchise Tax	38,271	. . . .	. . . .	38,271
Other	177	61	. . . .	238
NONOPERATING REVENUES (EXPENSES), NET	<u>29,013</u>	<u>(14)</u>	<u>. . . .</u>	<u>28,999</u>	
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEM	<u>(143,424)</u>	<u>5,244</u>	<u>2,630,461</u>	<u>2,492,281</u>	
OPERATING TRANSFERS:					
Operating transfers in—Note H	209,374	. . . .	23,965	233,339
Operating transfers out—Note H	(34,677)	. . . .	(14,885)	(49,562)
OPERATING TRANSFERS, NET	<u>174,697</u>	<u>. . . .</u>	<u>9,080</u>	<u>183,777</u>	
INCOME BEFORE EXTRAORDINARY ITEM	<u>31,273</u>	<u>5,244</u>	<u>2,639,541</u>	<u>2,676,058</u>	
Extraordinary loss on early extinguishment of debt—Note L	(75,096)	. . . .	. . . .	(75,096)
NET INCOME (LOSS)	<u>(43,823)</u>	<u>5,244</u>	<u>2,639,541</u>	<u>2,600,962</u>	
RETAINED EARNINGS/FUND BALANCES,					
JULY 1, 1992	1,736,713	34,790	31,532,883	33,304,386	
RESIDUAL EQUITY TRANSFER—NOTE H	(9)	. . . .	. . . .	(9)
RETAINED EARNINGS/FUND BALANCES, JUNE 30, 1993	<u>\$ 1,692,881</u>	<u>\$ 40,034</u>	<u>\$34,172,424</u>	<u>\$35,905,339</u>	

— See notes to financial statements. —

COMBINED STATEMENT OF CASH FLOWS
All Proprietary Fund Types

For the Fiscal Year Ended June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
CASH USED FOR OPERATIONS:			
Operating income (loss)	\$ (172,437)	\$ 5,258	\$ (167,179)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:			
Depreciation	132,719	5,257	137,976
Amortization	329	.....	329
Provision for uncollectible accounts	53,777	.....	53,777
Nonoperating revenues	38,520	.....	38,520
Change in assets and liabilities:			
(Increase)/decrease in receivables	(364,467)	344	(364,123)
(Increase)/decrease in due from other funds	17,857	(4,010)	13,847
(Increase)/decrease in due from other governments	5,953	(102)	5,851
Decrease in inventory	28,821	387	29,208
Increase in other assets	(1,256)	(4,945)	(6,201)
Decrease in accounts payable and accrued liabilities	(40,297)	(4,921)	(45,218)
Increase in due to other funds	909	2,652	3,561
Decrease in due to other governments	(1,935)	.....	(1,935)
Increase/(decrease) in deferred revenue	11,923	(29)	11,894
Increase in insurance loss liability	200,081	.....	200,081
Increase in other liabilities	13,905	.....	13,905
Total adjustments	96,839	(5,367)	91,472
NET CASH USED FOR OPERATING ACTIVITIES	(75,598)	(109)	(75,707)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Proceeds from issuance of notes payable and revenue bonds	497,440	6,620	504,060
Principal paid on notes payable and revenue bonds	(706,594)	(1,489)	(708,083)
Interest paid on notes payable and revenue bonds	(28)	(177)	(205)
Operating transfers in	209,374	.....	209,374
Operating transfers out	(34,677)	.....	(34,677)
Increase in contributed capital	80,835	.....	80,835
Residual equity transfer out	(9)	.....	(9)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	46,341	4,954	51,295
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance of revenue bonds	561,127	.....	561,127
Principal paid on revenue bonds	(576,106)	.....	(576,106)
Interest paid on revenue bonds	(25,564)	(341)	(25,905)
Increases in contributed capital	210,846	.....	210,846
Decreases in contributed capital	(6,680)	.....	(6,680)
Acquisition and construction of capital assets	(302,067)	(10,888)	(312,955)
Proceeds from sale of capital assets	12	1,423	1,435
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(138,432)	(9,806)	(148,238)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(17,052,461)	(51,337)	(17,103,798)
Proceeds from sale and maturities of investments	17,217,042	55,751	17,272,793
Investment income	16,157	443	16,600
NET CASH PROVIDED BY INVESTING ACTIVITIES	180,738	4,857	185,595
NET INCREASE/(DECREASE) IN CASH	13,049	(104)	12,945
CASH, JULY 1, 1992	28,954	488	29,442
CASH, JUNE 30, 1993	\$ 42,003	\$ 384	\$ 42,387

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

— See notes to financial statements. —

COMBINED STATEMENT OF CHANGES IN FUND BALANCES
College and University Funds

For the Fiscal Year Ended June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds			Totals
	Unrestricted	Restricted			Unexpended	Renewal and Replacement	Retirement of Inhabitedness		Investment in Plant
REVENUES AND OTHER ADDITIONS:								
Unrestricted current funds	\$ 481,667	\$	\$	\$	\$	\$	\$	\$ 481,667
Gifts and bequests		3,206		314	267		505	4,292
Grants and contracts		101,799	106		6			102,123
Federal advances			1,416					1,416
Endowment income		503						503
Investment income		276	82		1,066	127	2,078	3,629
Interest on loans receivable			696					696
Expended for plant facilities — Net of disposals (including \$800 charged to current funds expenditures)								
Retirement of indebtedness					83			78,568
Other	28,324			31	1,875	5,353	168	12,053
TOTAL REVENUES AND OTHER ADDITIONS	509,991	105,784	2,300	345	3,503	5,486	4,865	723,149
EXPENDITURES AND OTHER DEDUCTIONS:								
Educational and general	665,939	104,322						770,261
Auxiliary enterprises	107,796	215						108,011
Loan cancellations			646					646
Administrative and collection costs			381					381
Expended for plant facilities					4,013	14,509	1,612	84,311
Depreciation on plant facilities								28,150
Retirement of indebtedness								12,053
Interest on indebtedness								8,941
Other		2,167	250	83				9,601
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	773,735	106,704	1,277	83	4,013	14,509	22,606	1,024,855
TRANSFER AND ALLOCATION AMONG FUNDS — ADDITIONS (DEDUCTIONS):								
Mandatory:								
Principal and interest	(11,645)				(1,148)		13,605	
Other	(50)	(12)	50	12				
Nonmandatory:								
Operating transfers in from General Fund	357,969	1,383						359,352
Other	(45,590)	(23)		32	5,338	10,326	29,917	
TRANSFERS AND ALLOCATIONS, NET	300,684	1,348	50	44	4,190	9,514	43,522	359,352
NET INCREASE (DECREASE) FOR THE YEAR	36,940	428	1,073	306	3,680	491	25,781	57,646
FUND BALANCES, JULY 1, 1992	9,759	11,108	23,959	6,571	39,361	39,831	34,186	393,508
FUND BALANCES, JUNE 30, 1993	\$ 46,699	\$ 11,536	\$ 25,032	\$ 6,877	\$ 43,041	\$ 40,322	\$ 59,967	\$ 451,154

— 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, 1993

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	\$ 326,060	\$	\$ 326,060
Government grants and contracts:			
State and local	1,673	39,869	41,542
Federal	1,138	58,280	59,418
Private gifts, grants and contracts	2,564	5,536	8,100
Investment income	10,549	233	10,782
Endowment income	34	446	480
Activities of educational departments	1,215	. . . . .	1,215
Other sources	17,936	173	18,109
Auxiliary enterprises	120,498	. . . . .	120,498
TOTAL REVENUES	<u>481,667</u>	<u>104,537</u>	<u>586,204</u>
EXPENDITURES AND MANDATORY TRANSFERS:			
EXPENDITURES:			
Educational and general:			
Instruction	355,337	4,461	359,798
Research	475	1,260	1,735
Public service	8,162	13,330	21,492
Academic support	69,539	3,881	73,420
Student services	56,269	3,998	60,267
Operations and maintenance of plant	68,825	316	69,141
General institutional support	100,112	2,704	102,816
Student aid	7,220	74,372	81,592
TOTAL EDUCATIONAL AND GENERAL	<u>665,939</u>	<u>104,322</u>	<u>770,261</u>
Auxiliary enterprises	107,796	215	108,011
TOTAL EXPENDITURES	<u>773,735</u>	<u>104,537</u>	<u>878,272</u>
MANDATORY TRANSFERS:			
Principal and interest	7,605	. . . . .	7,605
Other	50	12	62
TOTAL MANDATORY TRANSFERS	<u>7,655</u>	<u>12</u>	<u>7,667</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>781,390</u>	<u>104,549</u>	<u>885,939</u>
OPERATING TRANSFERS, OTHER TRANSFERS AND DEDUCTIONS:			
Operating transfers in from General Fund	357,969	1,383	359,352
Other transfers	(21,306)	(23)	(21,329)
Deductions .....	. . . . .	(920)	(920)
OPERATING TRANSFERS, OTHER TRANSFERS AND DEDUCTIONS, NET	<u>336,663</u>	<u>440</u>	<u>337,103</u>
NET INCREASE IN FUND BALANCES	<u>\$ 36,940</u>	<u>\$ 428</u>	<u>\$ 37,368</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 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, 1992, the Pennsylvania Turnpike Commission for its fiscal year ended May 31, 1993, and the State Stores Fund for its fiscal year ended June 29, 1993.

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, 1992.

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. Assets and liabilities of agency funds are reported using the 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.

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, 1993 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 \$125.1 million in supplemental appropriations approved during the fiscal year ended June 30, 1993.

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 \$2.8 million, is reported as part of fund balance, "Reserved for other" in the General Fund at June 30, 1993.

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 for \$66 million, an advance to the State Workmen's Insurance Fund for \$2 million, both Enterprise Funds, and an advance to the Motor License Fund for \$2.2 million, a Special Revenue Fund.

The \$6.8 million reported as "Reserved for other" in the General Fund at June 30, 1993 includes \$2.8 million for arbitrage rebate tax, \$2.7 million advances to organizations outside the financial reporting entity and \$1.3 million for other reservations.

The \$49.4 million reported as "Reserved for other" in the College and University Funds at June 30, 1993 pertain to approved academic projects that will begin in subsequent fiscal periods.

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, 1993 the Commonwealth has included the following reservations of retained earnings for the Enterprise Funds (expressed in thousands):

Pennsylvania Turnpike Commission	\$ 910,279
Pennsylvania Higher Education Assistance Agency	196,090
State Workmen's Insurance Fund	80,295
Pennsylvania Housing Finance Agency	29,758
Other funds	14,069
Total Enterprise Funds	\$1,230,491

Designations of unreserved fund balances reflect managerial plans for the future use of financial resources. At June 30, 1993 the Commonwealth has included the following amounts as "Designated—Other" for the General Fund and Special Revenue Funds (expressed in thousands):

General Fund:	
Continuing programs	\$ 128,655
Group medical and life insurance	115,059
Restricted revenue	103,505
Tax stabilization	4,884
Tort claims	1,284
Other	20,417
Total General Fund	\$ 373,804
 Special Revenue Funds:	
Land reclamation	\$ 18,820
Economic development	5,614
Solid waste grants	5,344
Energy conservation and development	3,400
Other	1,303
Total Special Revenue Funds	\$ 34,481

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 certain 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, 1993 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.

NOTES TO FINANCIAL STATEMENTS

NOTE C—FUND BALANCE DEFICITS/RESTATEMENTS

The State Lottery Fund, a Special Revenue Fund, reported a fund balance deficit of \$20.9 million at June 30, 1993. 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 \$12.5 million at June 30, 1993. The State Racing Fund, a Special Revenue Fund, reported a fund balance deficit of \$128 thousand at June 30, 1993. The Hazardous Material Response Fund, a Special Revenue Fund, reported a fund balance deficit of \$119 thousand at June 30, 1993.

The Capital Facilities Fund, a Capital Projects Fund, reported a deficit unreserved/undesignated fund balance of \$124,659 at June 30, 1993. In total, the Capital Facilities Fund reported a fund balance of \$119,760, at June 30, 1993. Total Capital Projects Funds reported reservations for encumbrances and long-term investments of \$247,942 and \$12,433, respectively, designations for Capital Projects of \$160,994 and a deficit unreserved/undesignated fund balance of \$124,659, for a total combined fund balance of \$296,710 at June 30, 1993 (amounts in thousands).

The Catastrophic Loss Benefits Continuation Fund, an Expendable Trust Fund, reported a fund balance deficit of \$16.1 million at June 30, 1993.

The July 1, 1992 balance in the General Fixed Assets Account Group has been restated and reduced from \$3,168 million, as originally reported, to \$3,133 million. The \$35 million reduction is the result of raising the minimum dollar capitalization threshold for furniture, machinery and equipment assets from \$15 thousand to \$20 thousand.

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; an immaterial amount was outstanding at June 30, 1993.

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, 1993 (expressed in thousands).

	Category 1	Category 2	Category 3	Total Bank Balance	Carrying Amount
Cash	\$ 321,145	\$ 68,366	\$ 45,170	\$ 434,681	\$ 138,958
Cash with fiscal agents	1,043,941	.....	33,993	1,077,934	1,077,934
Certificates of deposit and related items	186,060	17,932	19,078	223,070	223,070

The above-listed \$223,070 in certificates of deposit and related items is reported as temporary investments at June 30, 1993.

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, 1993 (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	\$ 1,187,590	\$	\$ 71,877	\$ 1,259,467	\$ 1,261,041
Common and preferred stock	12,410,630	. . . .	1,009	12,411,639	14,623,641
Corporate bonds and notes ..	3,090,303	250	46,846	3,137,399	3,208,376
International fixed income ..	996,476	. . . .	. . . .	996,476	1,009,831
Investment agreements .....	. . . .	. . . .	167,482	167,482	167,482
Money markets	7,876	3,316	223,521	234,713	234,713
Mortgage loans	9,483	. . . .	102,919	112,402	111,622
Real estate	2,804,598	. . . .	. . . .	2,804,598	2,895,400
Repurchase agreements	1,177,493	614,602	89,612	1,881,707	1,882,485
State and municipal obligations	327,603	8,000	. . . .	335,603	335,603
U.S. Government obligations	7,502,285	76,109	82,812	7,661,206	8,025,125
U.S. Government agency obligations	1,349,758	. . . .	105,007	1,454,765	1,491,088
Other	477,685	. . . .	8,864	486,549	502,582
Totals	<u>\$31,341,780</u>	<u>\$ 702,277</u>	<u>\$ 899,949</u>	32,944,006	35,748,989

Add invested amounts not susceptible to credit risk categorization:

Investment pools in which State Employees' Retirement System (SERS) participates at December 31, 1992:		
Mortgage loans	801,245	801,245
Mutual funds	3,659,983	3,659,983
Real estate	834,087	834,087
Venture capital	104,876	104,876
Securities loaned by SERS at December 31, 1992:		
U.S. Government securities	542,959	542,959
Corporate bonds and notes	36,844	36,844
Common and preferred stocks	62,785	62,785
Venture capital pool and other pooled investments in which the Public School Employees' Retirement System participates at June 30, 1993	1,795,842	1,808,693
Investments owned by the Pennsylvania Housing Finance Agency at June 30, 1993:		
Mutual funds	76,200	76,200
Investment agreements	65,082	65,082
Pooled investments in which the Pennsylvania Higher Education Assistance Agency participates at June 30, 1993	93,848	93,848
Investments owned by the Statutory Liquidator Fund at June 30, 1993:		
Mortgage loans	11,751	11,751
Money market	5,084	5,084
Mutual funds	3,211	3,211
	<u>41,037,803</u>	<u>43,855,637</u>
Certificates of deposit and related items	223,070	223,070
Total temporary and long-term investments	<u>\$41,260,873</u>	<u>\$44,078,707</u>

The above-listed \$223,070 in CD's are reported as investments at June 30, 1993 but have been treated as deposits for a determination of the level of credit risk associated with them.

Included in the above-listed \$486,549 of "other" investments are guaranteed investment contracts, other contracts and short term, liquid fixed income instruments.

The Pension Trust Funds own approximately 100 percent of the common and preferred stock, 95 percent of the corporate bonds and notes, 68 percent of mortgage loans and 98 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, 1993.

NOTES TO FINANCIAL STATEMENTS

NOTE E—FIXED ASSETS

A summary of fixed assets by category at June 30, 1993 is as follows (expressed in thousands):

	Enterprise Funds	Internal Service Funds	Pension Trust Funds	General Fixed Assets Account Group	College and University Funds
Land	\$ 72,846	\$ 6	\$	\$ 229,752	\$ 4,128
Buildings	174,387	3,560	. . . .	2,283,158	193,696
Improvements other than buildings	35,037	620	. . . .	154,450	22,221
Furniture, machinery and equipment	213,495	45,719	10,877	477,422	279,417
Turnpike infrastructure	1,861,541	. . . .	. . . .	. . . .	. . . .
Construction in progress	331,731	159	. . . .	129,340	44,114
Total	<u>\$2,689,037</u>	<u>\$ 50,064</u>	<u>\$ 10,877</u>	<u>\$ 3,274,122</u>	<u>\$ 543,576</u>

Changes in general fixed assets for the fiscal year ended June 30, 1993 are as follows (expressed in thousands):

	Balance June 30, 1992 (as restated)	Additions	Retirements	Balance June 30, 1993
Land	\$ 222,520	\$ 7,710	\$ 478	\$ 229,752
Buildings	2,183,740	101,411	1,993	2,283,158
Improvements other than buildings	152,356	2,094	. . . .	154,450
Furniture, machinery and equipment	417,663	70,973	11,214	477,422
	<u>2,976,279</u>	<u>182,188</u>	<u>13,685</u>	<u>3,144,782</u>
Construction in progress	157,072	78,018	105,750	129,340
Totals	<u>\$3,133,351</u>	<u>\$ 260,206</u>	<u>\$ 119,435</u>	<u>\$ 3,274,122</u>

Interest costs of \$29.5 million were capitalized for the Enterprise Funds for the fiscal year ended June 30, 1993.

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, 1993 the amount of general fixed assets related to the initial valuation amounts to \$2,028 million.

Construction in progress included in the General Fixed Assets Account Group at June 30, 1993 is composed of the following (expressed in thousands):

Project	Project Authorization	Expended Through June 30, 1993	Authorization Available
Department of Corrections Institutions	\$ 326,205	\$ 47,115	\$ 279,090
Colleges and Universities	65,373	17,103	48,270
Department of Commerce Construction	58,648	22,351	36,297
Department of Public Welfare Institutions	56,886	15,397	41,489
Capitol Complex Buildings	37,634	3,267	34,367
Other	94,046	24,107	69,939
Total	<u>\$ 638,792</u>	<u>\$ 129,340</u>	<u>\$ 509,452</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, 1993 consisted of the following (expressed in thousands):

	General Fund	Special Revenue Funds	Trust and Agency Funds	Total
Sales and use	\$ 433,653	\$	\$	\$ 433,653
Unemployment compensation .....	. . . . .	. . . . .	417,451	417,451
Personal income	182,421	. . . . .	. . . . .	182,421
Corporation	88,996	15,922	. . . . .	104,918
Liquid fuels .....	. . . . .	58,955	2,774	61,729
Other	18,451	59,191	. . . . .	77,642
	<u>\$ 723,521</u>	<u>\$ 134,068</u>	<u>\$ 420,225</u>	<u>\$ 1,277,814</u>

Notes and loans Receivable: Loans receivable at June 30, 1993 consisted of the following (expressed in thousands):

	Special Revenue Funds	Enterprise Funds	College and University Funds	Total
Mortgage loans	\$	\$ 1,952,403	\$	\$ 1,952,403
Student loans .....	. . . . .	1,300,907	30,507	1,331,414
Business development loans	30,509	580,318	. . . . .	610,827
Municipal water system loans	39,779	640,547	. . . . .	680,326
Nursing home loans	30,611	. . . . .	. . . . .	30,611
Other notes and loans	5,806	87,838	. . . . .	93,644
	<u>106,705</u>	<u>4,562,013</u>	<u>30,507</u>	<u>4,699,225</u>
Less: Allowance for uncollectible accounts	2,591	119,946	7,051	129,588
Loans receivable, net	<u>\$ 104,114</u>	<u>\$ 4,442,067</u>	<u>\$ 23,456</u>	<u>\$ 4,569,637</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 \$3,590 million and the present value of the lease payments was \$1,804 million at June 30, 1993, the difference representing interest of \$1,786 million. Minimum lease payments for the five fiscal years succeeding June 30, 1993 are as follows (expressed in millions):

Fiscal Year Ending June 30	Amount
1994	\$180
1995	169
1996	168
1997	191
1998	176

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, 1993 is as follows (expressed in thousands):

FUND TYPE/FUND	DUE FROM	DUE TO
General	\$ 28,431	\$ 234,819
Special Revenue:		
Pennsylvania Economic Revitalization Fund	5,973	477
Vocational Rehabilitation Fund .....	.....	3,153
Hazardous Sites Clean-up Fund	20,572	313
Motor License Fund	4,495	21,041
Financially Distressed Municipalities Revolving Aid Fund	1,517	.....
Other Funds	2,169	4,932
	34,726	29,916
Debt Service:		
Tax Note Sinking Fund .....	.....	1,295
Pennsylvania Infrastructure Investment Authority Redemption Fund	39,725	.....
Other Funds	383	.....
	40,108	1,295
Capital Projects:		
Capital Facilities Fund .....	.....	1,311
Land and Water Development Fund	125	106
	125	1,417
Enterprise:		
Pennsylvania Turnpike Commission	1,246	2,542
Pennsylvania Infrastructure Investment Authority .....	.....	39,769
State Stores Fund	21	16,137
State Workmen's Insurance Fund	77	6,338
Rehabilitation Center Fund	2,454	164
Other Funds	1,574	1,022
	5,372	65,972
Internal Service:		
Purchasing Fund	11,183	2,790
Manufacturing Fund	2,576	177
	13,759	2,967
Expendable Trust:		
Catastrophic Loss Benefits Continuation Fund .....	.....	11,524
Unemployment Compensation Fund	2,969	.....
Workmen's Compensation Security Trust Fund	11,492	11
	14,461	11,535
Pension Trust:		
State Employees' Retirement System	71,082	157
Public School Employees' Retirement System	125,453	416
	196,535	573
Agency:		
Local Sales and Use Tax Fund	3,793	.....
Other Funds	261	1,269
	4,054	1,269
College and University	128,704	137,255
TOTAL	\$ 466,275	\$ 487,018

NOTES TO FINANCIAL STATEMENTS

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

The amount of total interfund receivables of \$466,275 does not agree with total interfund payables of \$487,018 at June 30, 1993 due to different fiscal year ends for certain funds included in the combined balance sheet at June 30, 1993. 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, 1992. 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, 1992 and May 31, 1993. The following presents a reconciliation of interfund accounts reported at June 30, 1993 (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, 1993	\$466,275
Pennsylvania Turnpike Commission increase in receivables from June 1, 1993 through June 30, 1993	4,128
State Workmen's Insurance Fund decrease in receivables from January 1, 1993 through June 30, 1993	(73)
State Employees' Retirement System increase in receivables from January 1, 1993 through June 30, 1993	<u>11,353</u>
DUE FROM OTHER FUNDS	<u>\$481,683</u>
Due to other funds - Combined Balance Sheet at June 30, 1993	\$487,018
Deferred Compensation Fund increase in payables from January 1, 1993 through June 30, 1993	53
State Employees' Retirement System increase in payables from January 1, 1993 through June 30, 1993	56
State Workmen's Insurance Fund decrease in payables from January 1, 1993 through June 30, 1993	(5,895)
Pennsylvania Turnpike Commission increase in payables from June 1, 1993 through June 30, 1993	<u>451</u>
DUE TO OTHER FUNDS	<u>\$481,683</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, 1993 is as follows (expressed in thousands):

<u>FUND TYPE/FUND</u>	<u>OPERATING TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
General	\$ 306,530	\$1,136,420
Special Revenue:		
State Lottery Fund	261	219,705
Motor License Fund	24,236	518,822
State Public School Building Authority	51,516	97,720
Pharmaceutical Assistance Fund	200,000	. . . .
Vocational Rehabilitation Fund	24,065	. . . .
Pennsylvania Economic Revitalization Fund	55,749	827
Pennsylvania Higher Educational Facilities Authority	65,345	194,691
Water Facilities Loan Fund .....	. . . .	18,749
Other Funds	12,738	10,914
	<u>433,910</u>	<u>1,061,428</u>
Debt Service:		
Land and Water Development Sinking Fund	35,036	. . . .
Water Facilities Loan Redemption Fund	14,248	. . . .
Capital Debt Fund	679,353	. . . .
Pennsylvania Higher Educational Facilities Authority	165,080	40,352
State Public School Building Authority	50,215	4,776
Disaster Relief Redemption Fund	10,853	. . . .
Pennsylvania Economic Revitalization Sinking Fund	15,911	. . . .
Other Funds	28,909	1,316
	<u>999,605</u>	<u>46,444</u>
Capital Projects:		
Capital Facilities Fund .....	. . . .	22,596
Pennsylvania Higher Educational Facilities Authority	43,133	38,514
State Public School Building Authority	1,468	704
Land and Water Development Fund .....	. . . .	41
	<u>44,601</u>	<u>61,855</u>
Enterprise Funds:		
State Stores Fund .....	. . . .	34,677
Pennsylvania Higher Education Assistance Agency	209,374	. . . .
	<u>209,374</u>	<u>34,677</u>
Expendable Trust:		
State School Fund	4	. . . .
Pension Trust:		
State Employees' Retirement System	21,418	1,856
Public School Employees' Retirement System	2,547	13,029
	<u>23,965</u>	<u>14,885</u>
College and University	359,352	. . . .
TOTAL	<u>\$2,377,341</u>	<u>\$2,355,709</u>

NOTES TO FINANCIAL STATEMENTS

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

The amount of total operating transfers in of \$2,377,341 does not agree with total operating transfers out of \$2,355,709 for the fiscal year ended June 30, 1993 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, are for the fiscal year ended December 31, 1992. 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	\$2,377,341
State Employees' Retirement System decrease in operating transfers in from the period January 1, 1993 through June 30, 1993	(8,389)
TOTAL OPERATING TRANSFERS IN	<u>\$2,368,952</u>
Total operating transfers out - all funds	\$2,355,709
State Employees' Retirement System increase in operating transfers out from the period January 1, 1993 to June 30, 1993	13,243
TOTAL OPERATING TRANSFERS OUT	<u>\$2,368,952</u>

The Combined Statement of Cash Flows — All Proprietary Fund Types displays increases in contributed capital of \$80,835 (from noncapital financing activities), increases in contributed capital of \$210,846 and decreases in contributed capital of \$6,680 (from capital and related financing activities), for a net increase in contributed capital of \$285,001 (in thousands). The following summary reconciles this net increase of \$285,001 with net residual equity transfers out of \$154,199 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, 1993 (in thousands):

Net increase in contributed capital for proprietary fund types	\$ 285,001
less: general obligation bond proceeds received by the Volunteer Companies Loan Fund	(4,984)
less: general obligation bond proceeds received by the PA Infrastructure Investment Authority	(91,188)
less: federal funds received by the PA Infrastructure Investment Authority for program grants	(35,530)
less: transfer from Hazardous Sites Loan Fund which did not affect contributed capital	(9)
less: highway transferred to Turnpike Commission ...	(10,875)
add: PA Infrastructure Investment Authority program grants to subrecipients	6,680
add: Capital Loan Fund amount returned to federal government	3,560
add: other items	<u>1,544</u>
Net governmental and expendable trust funds residual equity transfers out	<u>\$ 154,199</u>

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 Employees' Retirement System (SERS). Public school employes are members of the Public School Employees' 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 employee 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, 1992 and June 30, 1993, 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, 1992 there were 110 participating state and independent agencies. At December 31, 1992 the actuarially-computed annualized covered payroll was \$3,359 million. For the same period, the covered payroll for agencies included in the Commonwealth's financial reporting entity was \$2,929 million, or 91 percent of total payroll of \$3,206 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, 1992 the SERS membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employes entitled to benefits but not yet receiving benefits	84,785
Current employes:	
Vested	63,519
Nonvested	46,090
Total members	<u>194,394</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 employes classified in hazardous duty positions 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.

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 legislators who were members prior to March 1, 1974 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 \$1,995 million as of December 31, 1992, 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.

The fair value of individual investments at December 31, 1992 that represent 5 percent or more of the SERS net assets available for benefits are as follows (expressed in thousands):

Wells Fargo Nikko Investment Advisors:	
Equity Index Fund P — 131,531,390 units	\$1,851,213
Enhanced U.S. Tactical Asset Allocation Fund — 23,502,169 units ...	670,444
Extended Equity Market Fund — 14,638,376 units	622,805

The above funds are diversified among three collective funds: equity, which are invested in Standard & Poors 500 Companies; long-term fixed income, which are invested in corporate notes and bonds; and short-term cash fund, which are invested in money market instruments.

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, 1992.

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, 1992. 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, 1992 totalled \$1,308 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	\$ 4,739,326
Current employes:	
Accumulated member contributions with interest	1,999,511
Employer-financed, vested	4,033,101
Employer-financed, nonvested	373,891
Total pension benefit obligation	11,145,829
Net assets available for benefits (at market value)	12,453,359
Net assets in excess of pension benefit obligation	<u>\$ 1,307,530</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 1992 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 (\$281 million credit) and of the supplemental annuities arising from cost of living and other adjustments over varying periods ending June 30, 2012. These rates are computed on a Commonwealth fiscal year basis such that employer contribution rates in effect for the SERS for 1992 reflect a blended average of those in effect through June 30, 1992 and subsequent to that date, as calculated based upon actuarial valuations prepared as of December 31, 1991 and December 31, 1992, respectively. The actuarially determined contribution requirement for the year ended December 31, 1992 consisted of (amounts in thousands):

	<u>% of Current Covered Payroll</u>	<u>Amount</u>
Employer normal cost	8.20	\$275,435
Amortization of unfunded actuarial liability .....	.23	7,726
Amortization of supplemental annuities .....	.96	32,246
 Total contribution requirement	<u>9.39</u>	<u>\$315,407</u>

Member contributions amounted to \$187 million, or 5.7 percent and employer contributions amounted to \$319 million, or 9.7 percent, of total actual covered payroll of \$3,279 million, for the year ended December 31, 1992. Total employer contributions of \$319 million exceeded the above actuarially determined contribution requirement of \$315 million due to employer contributions related to employee purchases of prior service cost and employer contributions related to the transfer of prior employee service from the Public School Employees' Retirement System to the SERS. Total employer contributions amounted to \$308 million for the fiscal year ended June 30, 1993, of which \$268 million relates to agencies included in the Commonwealth's financial reporting entity. The Commonwealth employer contributions of \$268 million approximate 87 percent of total employer contributions of \$308 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 rate of return on investments of 9.9 percent per annum and certain revisions to salary increase assumptions.

THREE-YEAR HISTORICAL TREND INFORMATION

	<u>Year Ended December 31</u>		
	<u>1992</u>	<u>1991</u>	<u>1990</u>
Net assets available for benefits as a percentage of the pension benefit obligation applicable to covered employees	111.7%	114.1%	103.7%
 Assets in excess of pension benefit obligation as a percentage of the SERS's annual covered payroll	38.9	47.2	10.9
 Employer contributions to the pension plan as a percentage of annual covered payroll ...	9.5	12.2	13.1

All required contributions were made, in accordance with actuarially determined requirements, for each of the three years ended December 31, 1992, 1991 and 1990.

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, 1992 is as follows (expressed in thousands):

Actuarial present value of accumulated plan benefits:	
Vested benefits:	
Participants currently receiving payments	\$ 6,001,723
Other participants	<u>6,012,343</u>
	12,014,066
Nonvested benefits	<u>246,519</u>
Total	<u>\$12,260,585</u>

Changes in accumulated plan benefits as of December 31, 1992 are as follows (expressed in thousands):

Actuarial present value of accumulated plan benefits at December 31, 1991	<u>\$10,545,321</u>
Changes during the year attributable to:	
Passage of time	611,811
Change in interest rate and salary assumptions ...	<u>1,103,453</u>
Net increase	<u>1,715,264</u>
Actuarial present value of accumulated plan benefits at December 31, 1992	<u>\$12,260,585</u>

The significant actuarial assumptions used in the valuation of the actuarial present value of accumulated plan benefits as of December 31, 1992 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	5.75%

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 employes in the Commonwealth. Certain part-time employes are eligible for membership in the System. At June 30, 1993 there were 634 reporting units, generally school districts. Membership as of June 30, 1992, 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	140,000
Current employes:	
Vested	125,000
Nonvested	<u>78,000</u>
Total members	<u>343,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE I—Retirement and Other Postemployment Benefits (continued)

During the fiscal year ended June 30, 1993 the covered payroll for public school employees was \$6,766 million. Total payroll for public school employees was substantially the same. The annualized covered payroll at June 30, 1992, the date of the most recent actuarial valuation, was \$6,098 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. Through June 30, 1993, the Code permitted school employees with at least 30 years of credited service to retire without a reduction in benefits. This so-called "early retirement window" did not require a minimum age in conjunction with length of service for a member to be eligible for full benefits.

On December 21, 1992, an early retirement incentive act, commonly known as the "Mellow Bill" (Act 186 of 1992), provided an additional 10 percent of service credit to a member who meets the following criteria: (1) is at least 55 years of age or older as of August 31, 1993, (2) has at least 10 years of credited service with the System, (3) was not an annuitant as of July 1, 1992, (4) terminates service between July 1, 1992 and August 31, 1993, inclusive, (5) declares intent to retire with their school employer prior to April 1, 1993, and (6) files an application for retirement prior to September 1, 1993. The impact of the Mellow Bill resulted in approximately 11,000 annuitants electing early retirement as of June 30, 1993 and resulted in the System recording a benefit accrual of approximately \$200 million for the refund of contributions and interest of annuitants who elected to retire under the Mellow Bill.

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 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 employe 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, 1992, 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 7.25 percent, including an allowance for inflation of 4 percent, national productivity of 1 percent and merit or seniority increases averaging 2.25 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.

NOTES TO FINANCIAL STATEMENTS

NOTE I—Retirement and Other Postemployment Benefits (continued)

At June 30, 1992 the unfunded pension benefit obligation was \$3,282 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	\$ 7,053,552
Health care payments	32,346
Current members:	
Accumulated member contributions with interest	3,870,987
System-financed vested	3,889,479
System-financed nonvested	<u>8,028,809</u>
Total pension benefit obligation	22,875,173
Net assets available for benefits, at cost (market value is \$21,394,289)	<u>19,592,796</u>
Unfunded pension benefit obligation	<u>\$ 3,282,377</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 for premium assistance was established for the fiscal year that began July 1, 1991 to provide reserves in the Health Insurance Account. 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, 1992 the combined contribution rate was 14.24 percent of covered payroll. This rate 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. 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	7.90	\$ 535,768
Amortization of unfunded actuarial accrued liability ..	3.91	265,171
Amortization of supplemental annuities	1.93	130,890
Health care contribution rate .....	.50	34,351
Total contribution requirement	<u>14.24</u>	<u>\$ 966,180</u>

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, 1993 Commonwealth school districts contributed \$485 million and the Commonwealth contributed \$482 million to the System. The Commonwealth contribution approximates 7.1 percent of current covered payroll. Employee contributions of \$362 million approximate 5.9 percent of covered payroll of \$6,098 million for the year ended June 30, 1992, the most recent year for which actual amounts are available.

Effective July 1, 1993 the combined contribution rate was decreased from 14.24 to 13.17 percent of covered payroll. This rate is comprised of a pension contribution rate of 12.92 percent for pension benefits plus a health care contribution rate of .25 percent for health insurance premium assistance.

NOTES TO FINANCIAL STATEMENTS

NOTE I—Retirement and Other Postemployment Benefits (continued)

A summary of the July 1, 1993 combined rate follows:

Combined contribution rate, July 1, 1992.....	14.24%
Less: change in the assumed annual rate of salary increase.....	(.75)
Less: change in asset valuation method from 5 year to 4 year moving average market value.....	(.40)
Less: change in health care contribution rate .	(.25)
Add: implementation of accelerated payment option.....	.20
Add: Mellow Bill early retirement incentive..	.20
Less: favorable actuarial experience.....	(.07)
	<hr/>
Combined contribution rate, July 1, 1993.....	<u>13.17%</u>

Based on the June 30, 1992 valuation, the unfunded actuarial liability is \$4,501 million and the average funding period to amortize this liability is 20 years at July 1, 1991. Changes in the unfunded liability subsequent to July 1, 1991 are amortized over a period of 20 years from July 1 of the fiscal year following the change, with payments increasing 5 percent annually.

During the fiscal year ended June 30, 1993 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 \$144 million for the fiscal year ended June 30, 1993. Approximately 51,000 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, 1993.

NOTES TO FINANCIAL STATEMENTS

NOTE J—NOTES AND DEMAND REVENUE BONDS PAYABLE

The Pennsylvania Higher Education Assistance Agency (PHEAA), an Enterprise Fund, has \$310.0 million of demand revenue bonds outstanding and \$390.9 million of notes payable at June 30, 1993. Demand revenue bonds at June 30, 1993 consist of the following (expressed in thousands):

	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	\$110,000	\$100,000	\$100,000
Date of issue	7/29/88	1/28/88	7/19/84
Interest rate	2.0%	2.1%	1.95%
Due date	7/1/18	1/1/18	12/1/00
Letter of credit:			
Principal amount	\$119,625	\$106,904	\$103,082
Expiration date	7/31/93	1/1/95	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, 1993.

Notes payable for PHEAA at June 30, 1993 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	\$ 4,440
Amount due under revolving credit agreement dated June 12, 1993 through February 15, 1994. Interest rate at June 30, 1993 was 3.788 percent. Principal not to exceed \$50 million. Secured by student loans	46,300
Unsecured note payable refinanced in October 1992 with interest rate at 5.54 percent, with annual payments of principal and interest through October 31, 1997	13,979
Note payable, interest at 13 week U.S. Treasury bill rate plus 1.25 percent (4.217 percent at June 30, 1993), security interest in student loans equal to the outstanding principal, due December 2, 1993	94,633
Note purchase agreement dated May 1, 1990, amended subsequent to May 1, 1992, and extended through October 31, 1994. It provides for three separate notes known as the 1991F, G, and H Series. Principal not to exceed \$300 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 - 4.0%; 1991G - 4.05%; 1991H - 4.1% at June 30, 1993). Secured by investments and student loans	218,889
Unsecured note payable dated December 31, 1992 with interest at 6.7 percent and semi-annual payments of principal and interest through December 31, 2002	3,133
Line of credit agreement dated November 5, 1992 with interest at 6 percent (paid quarterly) and annual principal payments. Principal not to exceed \$16 million. Secured by student loans	9,500
Total	\$ 390,874

NOTES TO FINANCIAL STATEMENTS

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

The Pennsylvania Housing Finance Agency (PHFA), an Enterprise Fund, maintains three lines of credit with the Pennsylvania Treasury Department under which they may borrow up to \$20 million, \$15 million, and \$50 million to fund their multi-family housing program. Under the \$20 million line of credit, interest rates are fixed at 2 points below the prime rate from the date of issuance. The \$15 million line of credit bears interest from the date of issuance at a rate equal to the current yield on two year Treasury Notes plus 20 basis points. At June 30, 1993, \$5 million and \$3 million were owed at 6.5 percent and 4.47 percent, respectively, against the \$20 million and \$15 million lines of credit. At June 30, 1993 no funds have been drawn against the \$50 million line of credit. The PHFA also maintains two notes payable with the Pennsylvania Treasury Department to fund their single family housing program. Note I bears interest at a variable rate based on a formula which reflects the reinvestment rate of the note proceeds. Note II bears interest at a fixed rate of 3.95 percent. There were no funds drawn against either of these notes at June 30, 1993. Total reported notes payable at June 30, 1993 for the PHFA is \$8 million.

The State Stores Fund, an Enterprise Fund, has \$1.4 million of notes payable as of June 30, 1993 collateralized by investments held with the Treasury. The notes bear interest rates of 5.38 to 6.66 percent. The Purchasing Fund, an Internal Service Fund, has \$5.1 million of notes payable at June 30, 1993, bearing interest at 6.6 percent.

During the fiscal year ended June 30, 1993 the Commonwealth issued \$975 million of tax anticipation notes which matured on June 30, 1993. The \$20.4 million of interest related to the notes is shown as a debt service expenditure in the General Fund.

During the fiscal year ended June 30, 1993 the State Public School Building Authority (SPSBA) entered into the Treasury Initiative for Education Program with the Pennsylvania Treasury Department (Treasury). The SPSBA issued a \$75 million note which was purchased by Treasury. The proceeds of this note were deposited by the SPSBA with the Treasury, which will invest the proceeds in a manner acceptable to both parties. The note has an initial term of two years which is renewable on an annual basis for a term not to exceed three years. Interest is payable at a percentage rate which will be the lesser of the rate of interest payable from 90 day Treasury Bills plus 20 basis points or the rate used by the Treasury Short Term Investment Pool. The note is collateralized by investments the SPSBA has made with the Treasury. The SPSBA agrees to make \$25 million available for loans to school districts and \$50 million available for reinvestment by the Treasury at the time loans are made to the school districts. At June 30, 1993 no loans have been made to school districts through this program.

The State System of Higher Education, College and University Funds, has \$86 thousand of notes payable as of June 30, 1993 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, 1993 follow (expressed in thousands):

1994	\$	30
1995		27
1996		24
1997		5
Total	\$	86

NOTES TO FINANCIAL STATEMENTS

NOTE K—LONG-TERM OBLIGATIONS

Long-term obligations of the Commonwealth at June 30, 1993 (May 31, 1993 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, 1992	Additions	Reductions	Balance June 30, 1993
ENTERPRISE FUNDS								
Revenue Bonds Payable From User								
Charges:								
Pennsylvania Higher Education								
Assistance Agency	1985-92	2.68-11.80%	2026	\$	\$ 624,880	\$ 225,000	\$ 1,095	\$ 848,785
Pennsylvania Housing Finance Agency	1976-92	2.88-13.50%	2028	. . . .	2,342,603	175,025	438,135	2,079,493
Pennsylvania Industrial Development Authority								
Authority	1991	5.80- 7.00%	2011	. . . .	278,415	. . . .	10,645	267,770
Pennsylvania Turnpike Commission	1986-92	2.50-7.875%	2019	. . . .	1,129,925	560,075	527,955	1,162,045
Pennsylvania Infrastructure Investment Authority								
Authority	1990-92	3.10- 7.05%	2012	. . . .	142,500	. . . .	490	142,010
					4,518,323	960,100	978,320	4,500,103
Less: Bond discounts					134,675	13,290	70,568	77,397
TOTAL ENTERPRISE FUNDS				\$	\$4,383,648	\$ 946,810	\$ 907,752	\$4,422,706
GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP								
General Obligation Bonds Payable From								
Tax Revenues:								
Capital Facilities	1968-93	3.50-10.16%	2012	\$14,423,221	\$3,839,750	\$ 366,000	\$ 777,750	\$3,428,000
Disaster Relief	1973-89	4.91- 6.75%	2009	21,908	78,100	. . . .	7,780	70,320
Land and Water Development	1969-93	3.50- 8.00%	2013	4,300	222,525	9,000	37,220	194,305
Nursing Home Loan Development	1975-86	5.00- 8.26%	2006	31,000	28,460	. . . .	5,940	22,520
Project 70 Land Acquisition	1970	6.26%	2000	. . . .	4,920	. . . .	480	4,440
Volunteer Companies Loan	1977-93	3.50-10.75%	2013	20,000	12,090	5,000	1,460	15,630
Vietnam Conflict Veterans Compensation								
Compensation	1969-74	5.36- 6.11%	2003	3,000	27,465	. . . .	2,980	24,485
Water Facilities Loan	1983-93	3.80- 8.26%	2013	77,500	116,065	67,500	49,855	133,710
Pennsylvania Economic Revitalization	1984-92	4.00- 6.75%	2012	21,000	107,635	6,000	13,855	99,780
Pennsylvania Infrastructure Investment Authority								
Investment Authority	1988-93	3.50- 7.20%	2013	452,500	109,350	100,500	3,660	206,190
Agricultural Conservation Easement Purchase								
Purchase	1991-92	3.50- 6.75%	2012	52,000	22,750	25,000	505	47,245
Local Criminal Justice	1992-93	4.80- 6.38%	2013	129,000	19,000	52,000	. . . .	71,000
Refunding Bonds	1985-93	3.80- 8.00%	2008	. . . .	285,432	514,426	76,545	723,313
					15,235,429	4,873,542	1,145,426	5,040,938
Bonds Payable From Lease Rentals:								
Pennsylvania Higher Educational Facilities Authority								
Facilities Authority	1969-93	2.90- 9.00%	2031	. . . .	1,721,149	241,101	178,641	1,783,609
State Public School Building Authority	1986-92	3.50- 8.60%	2024	. . . .	313,622	70,272	79,761	304,133
					2,034,771	311,373	258,402	2,087,742
Other General Long-Term Obligations Payable From Tax Revenues:								
Capital Lease and Installment Purchase Obligations								
Purchase Obligations					123,839	10,113	41,238	92,714
Certificates of Participation						161,955	31,595	130,360
Self-Insurance — Note O					706,977	158,919	108,406	757,490
Compensated Absences					241,519	230,921	185,350	287,090
Catastrophic Motor Vehicle Losses					282,500	18,138	17,982	282,656
Other					726,899	375,395	295,715	806,579
					2,081,734	955,441	680,286	2,356,889
TOTAL GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP				\$15,235,429	\$8,990,047	\$2,412,240	\$1,916,718	\$9,485,569

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, 1993 (May 31, 1993 for the PTC) include bond discounts of \$77.4 million.

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, 1993, 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 \$166.7 million in revenue bonds outstanding at June 30, 1993. 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	\$544,036
Public Utility Realty Tax Act (PURTA)	147,714
Litigation — Note P	46,350
Medical Assistance Cost Settlements	41,244
Pledge to State Workmen's Insurance Fund	24,473
Arbitrage Rebate Tax	2,762
	<u>\$806,579</u>

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, 1993 relating to Workmen's Compensation Claims, Litigation, PURTA, Medical Assistance and Arbitrage Rebate Tax are not payable with currently expendable available financial resources.

NOTES TO FINANCIAL STATEMENTS

NOTE K —Long-Term Obligations (continued)

At December 31, 1992, the State Workmen's Insurance Fund (SWIF), an Enterprise Fund, has reported a provision for potential losses in the amount of \$24,473 thousand and has correspondingly reduced notes receivable for amounts owed from two bank holding companies. The amount ultimately realized from the bank holding companies is dependent upon the proceeds to be received from the sale of assets owned by the holding companies. Through June 30, 1993, it is not known whether an actual loss has occurred. The potential loss provision conservatively values the receivables reported by SWIF. The Budget Secretary of the Commonwealth has pledged to request an appropriation from the General Assembly to fund amounts not realized from the bank holding companies. A \$24,473 thousand contingent liability is included in "other" general long-term obligations to report this pledge. A corresponding contingent receivable has not been reported by SWIF.

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 \$27.1 billion as of September 1, 1993, with net debt outstanding of \$4 billion.

The following table presents annual principal and interest payments for long-term debt outstanding at June 30, 1993 (May 31, 1993 for the Pennsylvania Turnpike Commission) (expressed in thousands):

	1994	1995	1996	1997	1998	1999 Through Maturity	Total
ENTERPRISE FUNDS							
Revenue Bonds:							
Pennsylvania Higher Education							
Assistance Agency	\$ 56,422	\$ 56,422	\$ 56,422	\$ 56,422	\$ 56,422	\$1,702,056	\$1,984,166
Pennsylvania Housing Finance Agency	495,576	164,925	158,277	158,289	150,217	3,182,634	4,309,918
Pennsylvania Industrial Development							
Authority	40,339	39,387	37,759	36,657	35,071	199,094	388,307
Pennsylvania Turnpike Commission	76,174	81,912	87,976	84,795	88,744	1,844,439	2,264,040
Pennsylvania Infrastructure Investment							
Authority	7,888	14,242	14,513	14,493	14,224	158,761	224,121
Total Principal and Interest	676,399	356,888	354,947	350,656	344,678	7,086,984	9,170,552
Less: Interest Payments	288,738	277,637	267,848	261,912	251,001	3,323,313	4,670,449
TOTAL ENTERPRISE FUNDS	\$ 387,661	\$ 79,251	\$ 87,099	\$ 88,744	\$ 93,677	\$3,763,671	\$4,500,103
GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP							
General Obligation Bonds:							
Capital Facilities	\$ 573,845	\$ 565,773	\$ 458,635	\$ 397,884	\$ 370,792	\$2,485,184	\$4,852,113
Disaster Relief	10,485	10,458	10,424	10,223	10,195	38,196	89,981
Land and Water Development	35,203	34,650	33,550	27,678	25,023	93,084	249,188
Nursing Home Loan Development	6,096	6,043	3,566	3,514	2,175	6,055	27,449
Project 70 Land Acquisition	768	775	779	780	778	1,569	5,449
Volunteer Companies Loan	2,752	2,667	2,593	2,518	1,549	9,948	22,027
Vietnam Conflict Veterans							
Compensation	4,562	4,568	4,575	4,574	4,572	7,130	29,981
Water Facilities Loan	17,507	18,116	15,327	14,423	11,625	136,484	213,482
Pennsylvania Economic Revitalization	13,725	12,879	9,974	9,038	8,875	106,987	161,478
Pennsylvania Infrastructure							
Investment Authority	19,150	19,823	19,658	19,547	19,103	242,274	339,555
Agricultural Conservation Easement							
Purchase	4,570	4,522	4,464	4,411	4,348	55,787	78,102
Local Criminal Justice	5,902	5,899	5,907	5,907	5,907	88,234	117,756
Refunding Bonds	74,643	75,715	72,980	89,467	94,187	650,998	1,057,990
Total Principal and Interest	769,208	761,888	642,432	589,964	559,129	3,921,930	7,244,551
Less: Interest Payments	286,862	260,656	230,407	206,528	183,790	1,035,370	2,203,613
	482,346	501,232	412,025	383,436	375,339	2,886,560	5,040,938

NOTES TO FINANCIAL STATEMENTS

NOTE K —Long-Term Obligations (continued)

	1994	1995	1996	1997	1998	1999 Through Maturity	Total
Other Bonds:							
Pennsylvania Higher Educational Facilities Authority	147,858	138,425	139,534	163,117	148,807	2,456,609	3,194,350
State Public School Building Authority	36,180	33,559	31,782	32,221	30,875	324,460	489,077
Total Principal and Interest	184,038	171,984	171,316	195,338	179,682	2,781,069	3,683,427
Less: Interest Payments	114,457	109,310	105,987	102,209	98,918	1,064,804	1,595,685
	69,581	62,674	65,329	93,129	80,764	1,716,265	2,087,742
TOTAL GENERAL OBLIGATION AND OTHER BONDS	551,927	563,906	477,354	476,565	456,103	4,602,825	7,128,680
Other General Long-Term Obligations	326,878	133,655	114,877	109,133	102,727	1,569,619	2,356,889
TOTAL GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP	\$ 878,805	\$ 697,561	\$ 592,231	\$ 585,698	\$ 558,830	\$6,172,444	\$9,485,569

The Commonwealth has entered into certain 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, 1993 (expressed in thousands):

Fiscal year ending June 30:	General Long-Term Obligations	College and University Funds
1994	\$ 7,482	\$ 26,733
1995	7,342	19,938
1996	6,889	17,135
1997	6,696	16,277
1998	6,684	15,330
Later years	113,957	234,087
Total minimum lease payments	149,050	329,500
Less: amount representing estimated executory costs included in total minimum lease payments	18,633	.....
Net minimum lease payments	130,417	329,500
Less: amount representing interest	68,036	139,560
Present value of net minimum lease payments	62,381	189,940
Installment purchase obligations	30,333	.....
TOTAL CAPITAL LEASE AND INSTALLMENT PURCHASE OBLIGATIONS	\$ 92,714	\$189,940

At June 30, 1993 general fixed assets included \$96.5 million of buildings and \$2.4 million of equipment being procured by capital leases. A total of \$126 million in general fixed assets is being procured by installment purchase arrangements.

Capital lease obligations outstanding as of June 30, 1993 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 \$44.1 million of construction in progress related to capital leases at June 30, 1993.

The Commonwealth has entered into two lease arrangements with a trustee for the refinancing of previously existing leases and installment purchase arrangements and for the leasing of new equipment. These arrangements provide that the trustee issue certificates of participation, the proceeds of which allow for immediate payment to Commonwealth equipment vendors. This is not a general or moral obligation of the Commonwealth; under the arrangement, Commonwealth agencies are responsible for securing appropriations to make lease payments to the trustee, over a specified term, sufficient to fund periodic principal and interest payments to the certificate holders. While Commonwealth agencies maintain custody and use of the leased equipment, the trustee holds legal title to the equipment as security for the agency payments. When the certificates are fully funded, legal title vests with the Commonwealth agency.

NOTES TO FINANCIAL STATEMENTS

NOTE L—REFUNDED DEBT

During the fiscal year ended June 30, 1993 the Commonwealth issued bonds, accounted for in the General Long-Term Obligations Account Group, to advance refund \$621 million of previously issued bonds as follows (expressed in thousands):

Category	School	College	School Revenue	PennSAVE Program
	Revenue Bonds Series B 1992	Revenue Bonds Series M 1992	Bonds Series E 1993	School Revenue Bonds Series A 1993
Issuing Authority	SPSBA	SPSBA	SPSBA	SPSBA
Bond Type	Revenue	Revenue	Revenue	Revenue
Date Issued	8-19-92	12-23-92	2-10-93	2-23-93
Refunding Bonds Principal	\$4,265	\$2,780	\$4,115	\$4,255
Interest Rate (Refunding) .	5.47%	5.91%	5.41%	5.38%
Refunded Series	School Lease Revenue Bonds Series D 1988	College Revenue Bonds Series E 1989	School Revenue Bonds Series D 1990	School Revenue Bonds Series E 1991
Refunded Bonds Principal	\$3,900	\$2,515	\$3,690	\$4,095
Interest Rate (Refunded) ..	7.03%	7.26%	7.02%	6.96%
Payment to Escrow Agent	\$4,147	\$2,720	\$3,967	\$4,230
Debt Service Savings	\$166	\$94	\$131	\$127
Economic Gain	\$129	\$53	\$115	\$140

Category	PennSAVE Program	PennSAVE Program	College	Valley Forge
	School Revenue Bonds Series B 1993	School Revenue Bonds Series C 1993	Revenue Bonds Series U 1993	Military Academy Foundation Revenue Notes Series of 1992
Issuing Authority	SPSBA	SPSBA	SPSBA	PHEFA
Bond Type	Revenue	Revenue	Revenue	Revenue
Date Issued	2-23-93	2-23-93	4-29-93	9-30-92
Refunding Bonds Principal	\$4,225	\$1,345	\$9,130	\$2,300
Interest Rate (Refunding) .	5.34%	5.24%	5.74%	6.875%
Refunded Series	School Revenue Bonds Series C of 1988	School Revenue Bonds Series G of 1988	College Revenue Bonds Series E 1990	Valley Forge Military Academy Foundation Revenue Notes Series of 1986
Refunded Bonds Principal	\$4,020	\$1,285*	\$8,245	\$450*
Interest Rate (Refunded) ..	6.96%	7.57%	7.10%	9.00%
Payment to Escrow Agent	\$4,197	\$1,333	\$8,861	\$0
Debt Service Savings	\$352	\$203	\$216	\$0
Economic Gain	\$361	\$164	\$114	\$0

* — Current refunding.

NOTES TO FINANCIAL STATEMENTS

NOTE L—REFUNDED DEBT

Category	College Revenue Bonds Series of 1992	College Revenue Bonds Series G	Lycoming College Revenue Bonds Series of 1992	Drexel University Revenue Bonds Tax Exempt Series of 1993
Issuing Authority	PHEFA	PHEFA	PHEFA	PHEFA
Bond Type	Revenue	Revenue	Revenue	Revenue
Date Issued	12-14-92	12-15-92	12-29-92	4-22-93
Refunding Bonds Principal	\$13,990	\$14,170	\$7,940	\$35,215
Interest Rate (Refunding) .	6.42%	5.76%	6.48%	6.17%
Refunded Series	College Revenue Bonds Series of 1989	College Revenue Bonds Series C	Lycoming College Revenue Bonds Series of 1988	Drexel University Revenue Bonds Series of 1987
	College Revenue Bonds Series of 1991			Drexel University Revenue Bonds Series of 1985
	College Revenue Bonds Series of 1987			
Refunded Bonds Principal	\$5,205/\$3,500/\$1,415*	\$12,910	\$7,665	\$19,070/\$5,970*
Interest Rate (Refunded) ..	6.87%	6.64%	8.28%	7.91%
Payment to Escrow Agent	\$9,317	\$13,952	\$7,838	\$27,892
Debt Service Savings	\$0	\$825	\$4,200	\$0
Economic Gain	\$0	\$832	\$1,000	\$0

Category	College Revenue Refunding Bonds Series 1993 A & B	State System of Higher Education Revenue Bonds Series I	Second Series of 1992	First Series of 1993
Issuing Authority	PHEFA	PHEFA	Commonwealth	Commonwealth
Bond Type	Revenue	Revenue	General Obligation	General Obligation
Date Issued	5-7-93	5-18-93	7-1-92	4-15-93
Refunding Bonds Principal	\$18,000	\$61,425	\$267,426	\$247,000
Interest Rate (Refunding) .	6.26%	5.05%	6.22%	5.52%
Refunded Series	Allegheny College Penncap Revenue Bonds Series H 1991	State System of Higher Education Revenue Bonds Series D	2nd Series S 1983 1st Series 1984 3rd Series 1984 2nd Series 1985 3rd Series 1985 2nd Series 1985	1st Series S 1983 15th Series U 2nd Series S 1983 2nd Series 1986 1st Series A 1987 2nd Series A 1987 1st Series A 1988
	Outstanding PHEFA Loan			
Refunded Bonds Principal	\$3,677/\$728*	\$56,150	\$240,705	\$235,770
Interest Rate (Refunded) ..	Variable	7.10%	8.28%	7.34%
Payment to Escrow Agent	\$4,235	\$62,324	\$264,351	\$260,500
Debt Service Savings	\$0	\$3,700	\$16,190	\$4,464
Economic Gain	\$0	\$2,400	\$20,445	\$7,751

* — Current refunding.

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) reported advance refundings in their component unit financial statements for the Northern Cambria School District, the Interboro School District, the Ridley School District and the Wilkes-Barre General Municipal Authority, which are not reported in the preceding table. The liability for the refunded debt was removed from their General Long-Term Obligations Account Group; however, since neither PHEFA nor SPSBA issued any new debt, these were not advance refunding transactions of the PHEFA or the SPSBA. Furthermore, there were no debt service savings nor any economic gain or loss to the PHEFA or the SPSBA.

The PHEFA did refund, using refunding bond proceeds, its Valley Forge Military Academy Foundation Revenue Notes, Series of 1992, the College Revenue Bonds, Series of 1992, the Drexel University Revenue Bonds, Tax Exempt Series of 1993, and the College Revenue Refunding Bonds, Series of 1993 A and B, and removed the liability for the refunded debt from its General Long-Term Obligations Account Group. These refundings, disclosed in PHEFA's component unit financial statements, indicate there were no debt service savings nor economic gain or loss. Therefore, this information is disclosed using zeros in the preceding table.

On September 3, 1992 the Pennsylvania Turnpike Commission (PTC), an Enterprise Fund, issued \$571 million of Series O and P Bonds with interest rates ranging from 2.5 percent to 6.0 percent to advance refund \$121 million of Series C Through J Serial Bonds maturing on December 1, 1992 through 2006, and \$254 million of Series C through J Term Bonds maturing December 1, 2008 through 2017, with interest rates ranging from 4.9 percent to 7.55 percent; \$35 million of the Series K Serial Bonds maturing on December 1, 1994 through 1999, and \$67 million of Series K Term Bonds maturing on December 1, 2009 and 2012 with interest rates ranging from 7.05 percent to 7.625 percent; and \$44 million of Series K Capital Appreciation Bonds maturing December 1, 2001 through 2005.

The net proceeds from the Series O and P Bonds of \$551 million (after the original discounts of \$10 million and payment of \$10 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 C through K Bonds. As a result, the Series C through 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 extraordinary accounting loss of \$64 million for the year ended May 31, 1993, the PTC in effect reduced its aggregate debt service payments by almost \$13 million over the next 13 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$13 million. At May 31, 1993 \$738 million in PTC refunded bonds outstanding are considered defeased.

During the fiscal year ended June 30, 1993 the Pennsylvania Housing Finance Agency (PHFA), an Enterprise Fund, advance refunded \$7.1 million of Multi-Family Residential Development Bonds, Issues H and M by depositing sufficient funds in an irrevocable trust with an escrow agent to provide for all future debt service payments. An extraordinary gain of \$546 thousand resulted from this transaction. During the same fiscal year, the PHFA redeemed prior to maturity \$286.9 million of Multi-Family Residential Development Bonds, Issues E, F, H, I, L, M, 1982A and 1982B. They also redeemed prior to maturity \$115.2 million of Single Family Mortgage Revenue Bonds, Series D, G, N and O using mortgage prepayments and undisbursed bond proceeds. Extraordinary losses of \$9.1 million and \$2.4 million, respectively, resulted from the redemptions of multi and single family revenue bonds. The \$409.2 million liability for the defeased or refunded bonds has been removed from the PHFA's financial statements. In total, a net extraordinary loss of \$11 million has been reported by the PHFA.

At June 30, 1993 \$1.4 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 \$714 million of general obligation bonds and \$194 million and \$450 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 following presents a reconciliation of the budgetary basis to the GAAP basis of reporting (expressed in thousands):

	<u>General Fund</u>	<u>Special Revenue Funds</u>
BUDGETED FUNDS:		
Budgetary basis — revenues and other sources over expenditures	\$ 209,215	\$ 84,259
Adjustments:		
To adjust revenues, other financing sources and related receivables and deferred revenue	506,537	1,217,141
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	(1,688,167)	(1,456,230)
To adjust encumbrances	1,658,753	197,244
Net adjustments	<u>477,123</u>	<u>(41,845)</u>
NONBUDGETED FUNDS:		
GAAP basis — revenues and other sources over expenditures and other uses	<u>.....</u>	87,719
TOTAL ALL FUNDS:		
GAAP basis — revenues and other sources over expenditures and other uses	<u>\$ 686,338</u>	<u>\$ 130,133</u>

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, 1993, unless otherwise noted, is as follows (expressed in thousands):

	Pennsylvania Turnpike Commission (May 31, 1993)	Pennsylvania Industrial Development Authority	State Workmen's Insurance Fund (Dec. 31, 1992)	State Stores Fund (June 29, 1993)	Pennsylvania Higher Education Assistance Agency	Pennsylvania Housing Finance Agency	Pennsylvania Infrastructure Investment Authority	Other Enterprise Funds	Total Enterprise Funds
Operating revenues	\$ 277,386	\$ 25,204	\$ 460,905	\$ 682,523	\$ 377,561	\$ 200,268	\$ 12,672	\$ 28,187	\$ 2,064,706
Depreciation	118,391	.....	974	6,130	6,207	264	31	722	132,719
Operating income (loss)	24,151	3,149	(67,605)	44,838	(194,196)	19,785	474	(3,033)	(172,437)
Operating transfers in .....	.....	.....	.....	.....	209,374	.....	.....	.....	209,374
Operating transfers out .....	.....	.....	.....	34,677	.....	.....	.....	.....	34,677
Extraordinary loss on early extinguishment of debt	64,102	.....	.....	.....	.....	10,994	.....	.....	75,096
Net income (loss)	(13,449)	3,149	(67,605)	11,510	15,178	8,791	474	(1,871)	(43,823)
Increases in contributed capital	10,875	70,000	.....	.....	.....	.....	199,971	10,835	291,681
Decreases in contributed capital .....	.....	.....	.....	.....	.....	.....	6,680	.....	6,680
Acquisition and construction of capital assets	280,957	.....	464	3,383	16,238	224	23	778	302,067
Net increase (decrease) in cash	1,150	(305)	3,099	(139)	6,256	6,309	(3,442)	121	13,049
Total assets	2,291,869	651,556	1,199,873	176,295	1,897,895	2,518,472	742,238	371,519	9,849,717
Bonds and other long-term liabilities payable from operating revenues	1,114,406	266,264	1,116,316	1,425	1,549,659	2,059,241	142,010	.....	6,249,321
Total fund equity	1,068,723	376,123	8,748	23,201	242,787	256,747	557,523	362,722	2,896,574

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 employes injured on the job. The Commonwealth is also 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, 1993 based on reserves computed from the Commonwealth's claim experience.

At June 30, 1993 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, 1993 (expressed in thousands):

<i>General Fund</i>	
Employe disability	\$ 77,400
Automobile	3,410
General tort	2,322
Employe	1,537
Total	<u>\$ 84,669</u>
<i>Motor License Fund</i>	
Transportation-related	<u>\$ 23,903</u>

The portion of Commonwealth self-insurance liabilities that will not be liquidated with currently expendable, available financial resources at June 30, 1993 is reported in the General Long-Term Obligations Account Group as follows (expressed in thousands):

Employe disability	\$477,550
Transportation-related	222,158
General tort	30,548
Employe	19,684
Automobile	7,550
Total	<u>\$757,490</u>

NOTES TO FINANCIAL STATEMENTS

NOTE P—COMMITMENTS AND CONTINGENCIES

Construction and Other Commitments: At June 30, 1993 the Department of Transportation and the Pennsylvania Turnpike Commission have contractual commitments of approximately \$928 million and \$201 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 \$3.7 billion at June 30, 1993. These commitments are contingent upon availability of financial resources.

At June 30, 1993 the following Enterprise Funds had approved loans that had not been disbursed (amounts in millions):

Pennsylvania Infrastructure Investment Authority.....	\$394
Pennsylvania Industrial Development Authority	131
Pennsylvania Housing Finance Agency	120
Homeowner's Emergency Mortgage Assistance Program	15

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, 1993 were as follows (expressed in thousands):

Fiscal year ending June 30:	
1994	\$ 167,433
1995	98,558
1996	72,055
1997	60,426
1998	51,428
Later years	245,105
Total Minimum Lease Payments	<u>\$ 695,005</u>

Rental expenditures/expenses for all operating leases for the fiscal year ended June 30, 1993 amounted to \$170 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, 1993. 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, 1993 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	\$ 175
Motor License Fund	500
Other General Long-Term Obligations	46,350

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 \$1,023 million for bank taxes. Other cases that the Commonwealth is currently vigorously contesting could range from approximately \$35 to \$357 million, \$1 to \$27 million, and \$27 to \$127 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 \$1 to \$63 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, 1993 the Commonwealth had custody of \$434 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 \$7.8 billion at June 30, 1993. 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 \$2.2 billion, discounted at an interest rate of 6.72 percent to a net present value of \$1.3 billion at June 30, 1993.

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, 1993 totals \$2,071.4 million (\$1,558.9 million at present value based on the expected payment pattern and an assumed long-term interest rate of 6 percent). At June 30, 1993 \$112.6 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, 1993 (expressed in thousands):

Fund assets, July 1, 1992.....	\$107,108
Surcharges to health care providers.....	168,125
Investment earnings.....	3,926
Payments to claimants.....	(153,620)
Administrative costs.....	(9,703)
Fund assets, June 30, 1993.....	<u>\$115,836</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 \$126 million in assets (at market value) reported in the Deferred Compensation Fund, an Agency Fund, at December 31, 1992, \$125 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

The federal legislation that empowers the Pennsylvania Housing Finance Agency (PHFA) to issue mortgage revenue bonds expired June 30, 1992. New legislation authorizing the issuance of mortgage revenue bonds was enacted on August 10, 1993 retroactive to July 1, 1992.

On August 11, 1993 the Pennsylvania Housing Finance Agency (PHFA), an Enterprise Fund, issued \$205.8 million in Rental Housing Refunding Bonds, Issue 1993, which are due in varying amounts from July 1, 1995 through July 1, 2022, and bear interest at rates ranging from 3.5 percent to 5.8 percent. The proceeds of these bonds were used to refund all of the PHFA's outstanding Multi-Family issues A, C, D, G, O, and 1980 Bonds.

On September 1, 1993 the PHFA redeemed prior to maturity \$202.5 million of Multi-Family Residential Development Bonds, Issues A, B, C, D, G, and 1985A. An extraordinary loss of \$7.4 million resulted from the redemptions.

On September 1, 1993 the Commonwealth issued \$242 million of general obligation bonds, Third Series of 1993 with interest rates ranging from 4.4 percent to 5 percent.

On September 29, 1993 the PHFA issued \$129.2 million in Single Family Mortgage Revenue Bonds, Series 1993-36 and 1993-37. The proceeds of these bonds were used to refund all of the PHFA's Single Family Series C Bonds, to partially redeem the PHFA's Single Family Series G and I Bonds, to pay maturing principal on the PHFA's Single Family Series C, D, G through L, N through W, Y, Z, 1990-27 and 1991-31 Bonds, and to fund the purchase of new Single Family Mortgage Loans.

On October 21, 1993 the Commonwealth issued \$400 million in Tax Anticipation Notes, First Series of 1993-94. 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, 1994. These obligations are due and payable no later than June 30, 1994.

On October 28, 1993 the Pennsylvania Infrastructure Investment Authority, an Enterprise Fund, issued \$50 million of revenue bonds to provide additional financing for loans. The bonds bear interest at 2.75 percent through March 1, 1994, after which they will be remarketed weekly at variable interest rates. Based upon loan agreements and indenture requirements, the bonds will ultimately revert to fixed rates and will mature at various dates through September 1, 2013.

During April 1992 the State Workmen's Insurance Fund (SWIF), an Enterprise Fund, acquired two notes receivable from bank holding companies for consideration of \$34,649 thousand. These notes, along with accrued interest thereon, are not due until April 1994. The two notes are collateralized by all the shares of stock of two banks. The terms of the notes require the two holding companies to use their best efforts to sell the stock and use the proceeds received to liquidate the principal and accrued interest due on the notes. In addition, the terms of the notes indicate that the Secretary of the Budget agrees to seek an appropriation from the General Assembly to fund any deficiency between the amount due the SWIF and the proceeds received from the sale of the bank stock.

In call reports filed with the Federal Reserve Bank, the banks reported stockholder equity of \$12,059 thousand as of September 30, 1993. Although it is the Commonwealth's position that, as of the date of the issuance of its financial statements, there is no definite evidence that the SWIF will not collect the full amount due on the notes, the Commonwealth has conservatively valued the receivable for the notes in the SWIF financial statements. As a result of this valuation approach, a provision for potential losses in the amount of \$24,473 thousand has been reported and notes receivable from the two bank holding companies reduced by a like amount. The \$24,473 thousand represents the difference between the principal amount of the notes plus accrued interest as of December 31, 1992 of \$1,883 thousand and the stockholder equity of the banks as noted above. The provision for potential losses was recorded because the sole assets of the holding

NOTES TO FINANCIAL STATEMENTS

NOTE S—SUBSEQUENT EVENTS

companies are the shares of bank stock and because of the uncertainty related to the amount of proceeds to be received from the sale of the bank stock and the General Assembly approving the Budget Secretary's request for funds.

As described in Note K, the Commonwealth has included in its General Long-Term Obligations Account Group a \$24,473 thousand contingent liability to recognize the Budget Secretary's pledge to seek an appropriation from the General Assembly to fund any deficiency due the SWIF from the holding companies. A corresponding contingent receivable has not been reported by the SWIF.

The Commonwealth has a contingent liability of \$152 million which is included in the range applicable to the General Fund for litigation disclosed in Note P to the financial statements. However, on December 10, 1993 the Supreme Court of Pennsylvania, Middle District, vacated the Order of the Commonwealth Court and entered judgment in favor of the Commonwealth for the Appeal from the Order of the Commonwealth Court entered March 6, 1992, at No. 1423 C.D. 1988 reversing the Order of the Board of Finance and Revenue at No. R-11, 531 (Philadelphia Suburban Corporation, Appellee v. Commonwealth of Pennsylvania, Board of Finance and Revenue, Appellant). At issue is the appropriateness of taxing dividends received from subsidiaries as a component of the parent corporation's book income. Philadelphia Suburban Corporation has ninety days to appeal to the U.S. Supreme Court.

On December 20, 1993 the Pennsylvania Department of Labor and Industry received a final determination letter from the U.S. Department of Labor requesting the return of \$11,225,847 plus interest for costs questioned in the Commonwealth's Single Audit for the fiscal year ended June 30, 1991. Of that amount, \$11,225,166 pertains to interest charges by the Commonwealth to the Federal Unemployment Trust Fund for the Unemployment Insurance program. The Commonwealth intends to appeal the audit disallowance to the Department of Labor's Administrative Law Judges.

The Irish Shamrock Hex

The shamrock is naturally a sign for good luck surrounded by smooth round lines for an easy life. The two distlefinks make for a double portion of good fortune, while the tulips may mean faith, hope and charity or a number of ideas expressing fidelity to ones fellow men or his family. The small heart suggests love for ones brother in mankind.

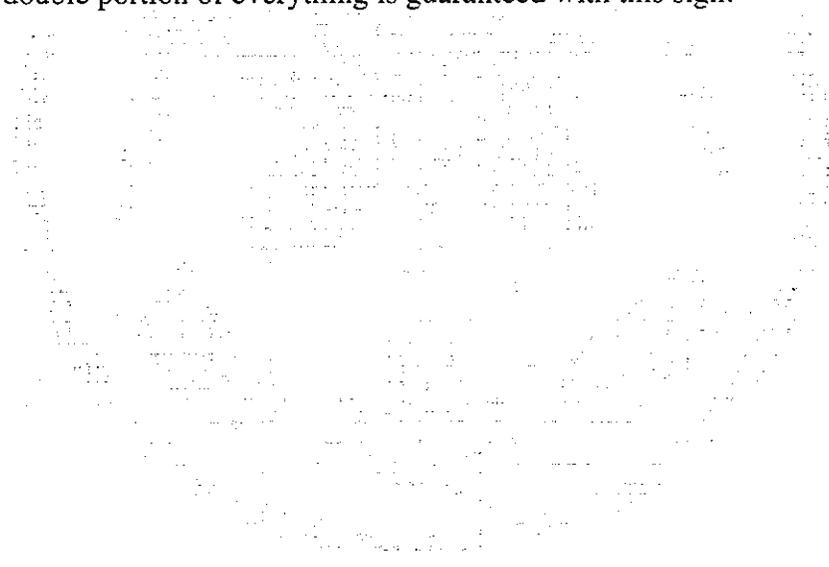
COMBINING FINANCIAL STATEMENTS AND SCHEDULES



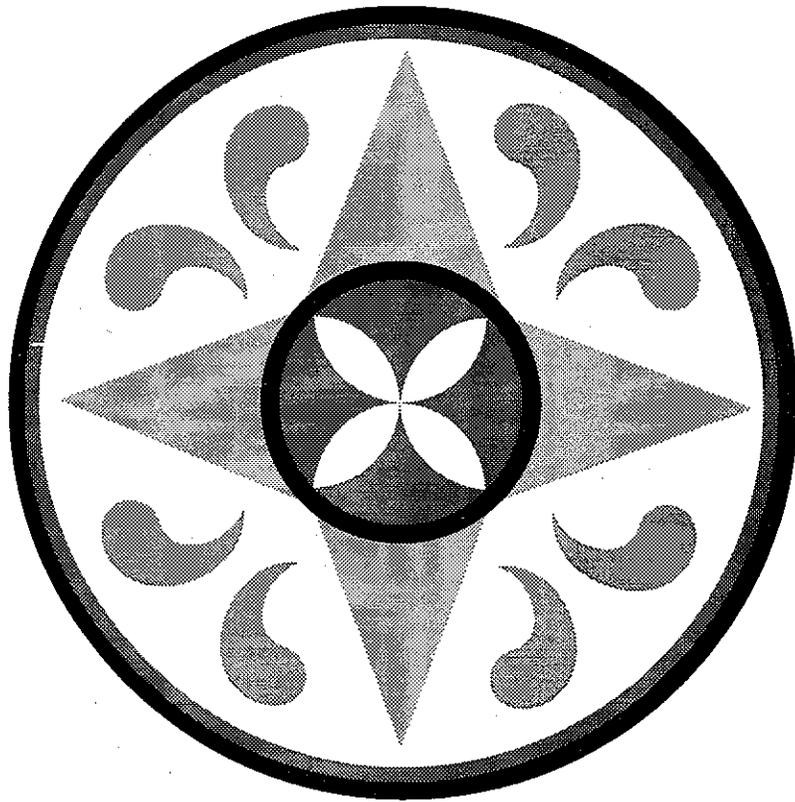
The Irish Shamrock Flex

The Double Rain Hex and Luck Symbol

Double drops of rain stand side by side to insure plentiful rain and water. The lucky star encloses the sun whose center is filled with life. A double portion of everything is guaranteed with this sign.



SPECIAL REVENUE FUNDS



*The Double Rain Flex
& Luck Symbol*

(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. This reporting group includes thirty-seven individual special revenue funds.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS

June 30, 1993

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
Cash	\$ 34	\$ 22,779	\$ 64	\$ 937	\$ 343	\$ 1	\$ 80	\$ 47	\$ 657	\$ 224	\$ 2,303	\$ 27,469
Temporary investments	111,382	345,949	18,650	16,769	5,940	8,888	33,155	93,786	71,766	15,819	240,855	962,959
Long-term investments	9,831			33								9,864
Receivables, net:												
Taxes		118,146										15,922
Accounts	18,599		61	4								4,175
Accrued interest	236	776	3	61	24	405	249	234	382	35	715	3,120
Loans						39,510	28,235				36,369	104,114
Lease rental				294,856						1,494,399		1,789,255
Other	697	5,723										6,420
Due from other funds		4,495	5				5,973	20,572	948		2,733	34,726
Due from other governments	10,999	82,786					75		4,112		5,946	103,918
TOTAL ASSETS	\$ 151,778	\$ 580,654	\$ 18,783	\$ 312,660	\$ 6,307	\$ 48,804	\$ 67,767	\$ 114,639	\$ 77,865	\$ 1,510,477	\$ 309,018	\$ 3,198,752

LIABILITIES AND FUND BALANCES

Liabilities:												
Accounts payable and accrued liabilities	\$ 166,505	\$ 273,970	\$ 1,574	\$ 1,008	\$ 18,751	\$ 8,875	\$ 9,703	\$ 3,903	\$ 7,072	\$	\$ 31,355	\$ 522,716
Tax refunds payable		616										616
Due to other funds	368	21,041	411	1	10	405	477	313	1,330		5,560	29,916
Due to other governments	4,168	11,799	41		2		17,954	25	243		4,899	39,131
Deferred revenue	1,633	259		294,856				30	2,143	1,494,399	13,006	1,806,326
Advances from other funds		2,175										2,175
Other Liabilities							3					3
TOTAL LIABILITIES	172,674	309,860	2,026	295,865	18,763	9,280	28,137	4,271	10,788	1,494,399	54,820	2,400,883
Fund Balance:												
Reserved for:												
Encumbrances	2,116	108,311	137			6	5,781	30,189	6,800		25,519	178,859
Loans receivable						39,510	28,235				36,369	104,114
Long-term investments	9,831			33								9,864
Other	697											697
Unreserved:												
Designated for:												
Highways		96,242										96,242
Other							5,614		1,303		27,564	34,481
Undesignated (deficit)	(33,540)	66,241	16,620	16,762	(12,456)	8		80,179	58,974	16,078	164,746	373,612
TOTAL FUND BALANCES (DEFICIT)	(20,896)	270,794	16,757	16,795	(12,456)	39,524	39,630	110,368	67,077	16,078	254,198	797,869
TOTAL LIABILITIES AND FUND BALANCES	\$ 151,778	\$ 580,654	\$ 18,783	\$ 312,660	\$ 6,307	\$ 48,804	\$ 67,767	\$ 114,639	\$ 77,865	\$ 1,510,477	\$ 309,018	\$ 3,198,752

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

For the Fiscal Year Ended June 30, 1993

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
REVENUES:												
Taxes	\$ 87	\$ 1,240,775	\$	\$	\$	\$	\$ 34,814	\$ 58	\$ 153,300	\$ 1,428,947		
Licenses and fees	56,318	470,679					2,659	45,084	53,450	571,959		
Intergovernmental	3,763	656,912					(363)	13,132	100,189	826,188		
Changes for sales and services	2,611	80,871	23,153	1,308				3,867	49,994	179,257		
Investment income	1,440,784	11,678	502	1,262	338		2,731	4,528	10,240	35,360		
Lottery revenues	9,883	37,616	193	45,747			4,731		125,661	171,408		
Lease rental principal and interest				45					13	74,308		
Other												
TOTAL REVENUES	1,513,446	2,498,531	23,848	48,362	338	4,039	44,572	81,318	385,949	4,728,211		
EXPENDITURES:												
Current:												
General government	837,973	66,391	21,754							55,673	981,791	
Protection of persons and property										9,525	15,878	
Public health and welfare	336,394				211,159					128,825	676,378	
Public education				2,351					544	(22)	2,873	
Conservation of natural resources							21,625	85,493		76,194	178,147	
Economic development and assistance										1,817	52,641	
Transportation	103,129	1,902,797								143,676	2,149,602	
Capital outlay		28,429									28,429	
Debt Service:												
Interest and fiscal charges										37	58	
TOTAL EXPENDITURES	1,277,496	1,997,617	21,754	2,351	211,159	(5,165)	21,625	85,493	415,725	4,085,797		
REVENUES OVER (UNDER)	235,950	500,914	2,094	46,011	(210,821)	9,204	(55,536)	(4,175)	(29,776)	642,414		
EXPENDITURES												
OTHER FINANCING SOURCES (USES):												
Bond proceeds											97,558	
Operating transfers in	261	24,236		51,516	200,000		382	1,976	65,345	34,445	433,910	
Operating transfers out	(219,705)	(518,822)		(97,720)				(45)	(194,691)	(10,869)	(1,061,428)	
Capital lease and installment purchase obligation		17,679									17,679	
NET OTHER FINANCING SOURCES (USES)	(219,444)	(476,907)		(46,204)	200,000	48,487	382	1,931	(129,346)	48,082	(512,281)	
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	16,506	24,007	2,094	(193)	(10,821)	57,691	5,202	(2,244)	(3,744)	18,306	130,133	
FUND BALANCES (DEFICITS), JULY 1, 1992	(37,403)	246,787	14,663	16,988	(1,655)	52,760	86,853	69,321	19,822	236,021	746,661	
RESIDUAL EQUITY TRANSFERS						(70,927)	216			(129)	(78,925)	
FUND BALANCES (DEFICITS), JUNE 30, 1993	(20,896)	270,794	16,757	16,795	(12,456)	39,524	110,368	67,077	16,078	254,198	797,869	

**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	\$ 4,700	\$ 3,758	\$ (942)	\$ 897,928	\$ 953,643	\$ 55,715
Lottery receipts	776,018	797,097	21,079	.....	.....	.....
Licenses and fees .....	.....	.....	.....	464,500	471,953	7,453
Departmental services	7,300	7,300	.....	53,169	53,169	.....
Miscellaneous	4,771	11,642	6,871	83,650	66,670	(16,980)
TOTAL STATE PROGRAMS	<u>792,789</u>	<u>819,797</u>	<u>27,008</u>	<u>1,499,247</u>	<u>1,545,435</u>	<u>46,188</u>
Federal Programs	65,865	62,939	(2,926)	496,770	469,450	(27,320)
TOTAL REVENUES	<u>858,654</u>	<u>882,736</u>	<u>24,082</u>	<u>1,996,017</u>	<u>2,014,885</u>	<u>18,868</u>
EXPENDITURES:						
State Programs:						
General government	220,280	218,170	2,110	238,898	233,464	5,434
Protection of persons and property .....	.....	.....	.....	216,031	213,426	2,605
Public health and welfare	603,391	598,133	5,258	.....	.....	.....
Public education .....	.....	.....	.....	1,783	1,650	133
Transportation .....	.....	.....	.....	1,075,737	1,053,381	22,356
TOTAL STATE PROGRAMS	<u>823,671</u>	<u>816,303</u>	<u>7,368</u>	<u>1,532,449</u>	<u>1,501,921</u>	<u>30,528</u>
Federal Programs	65,865	62,939	2,926	496,770	469,450	27,320
TOTAL EXPENDITURES	<u>889,536</u>	<u>879,242</u>	<u>10,294</u>	<u>2,029,219</u>	<u>1,971,371</u>	<u>57,848</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(30,882)</u>	<u>3,494</u>	<u>34,376</u>	<u>(33,202)</u>	<u>43,514</u>	<u>76,716</u>
OTHER FINANCING SOURCES:						
Prior year lapses	18,026	18,026	.....	17,032	17,032	.....
Increase in budgeted revenues .....	.....	.....	.....	46,188	.....	(46,188)
TOTAL OTHER FINANCING SOURCES	<u>18,026</u>	<u>18,026</u>	<u>.....</u>	<u>63,220</u>	<u>17,032</u>	<u>(46,188)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(12,856)</u>	<u>21,520</u>	<u>34,376</u>	<u>30,018</u>	<u>60,546</u>	<u>30,528</u>
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JULY 1, 1992	<u>69,133</u>	<u>69,133</u>	<u>.....</u>	<u>22,103</u>	<u>22,103</u>	<u>.....</u>
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 1993	<u>\$ 56,277</u>	<u>\$ 90,653</u>	<u>\$ 34,376</u>	<u>\$ 52,121</u>	<u>\$ 82,649</u>	<u>\$ 30,528</u>

For the Fiscal Year Ended June 30, 1993

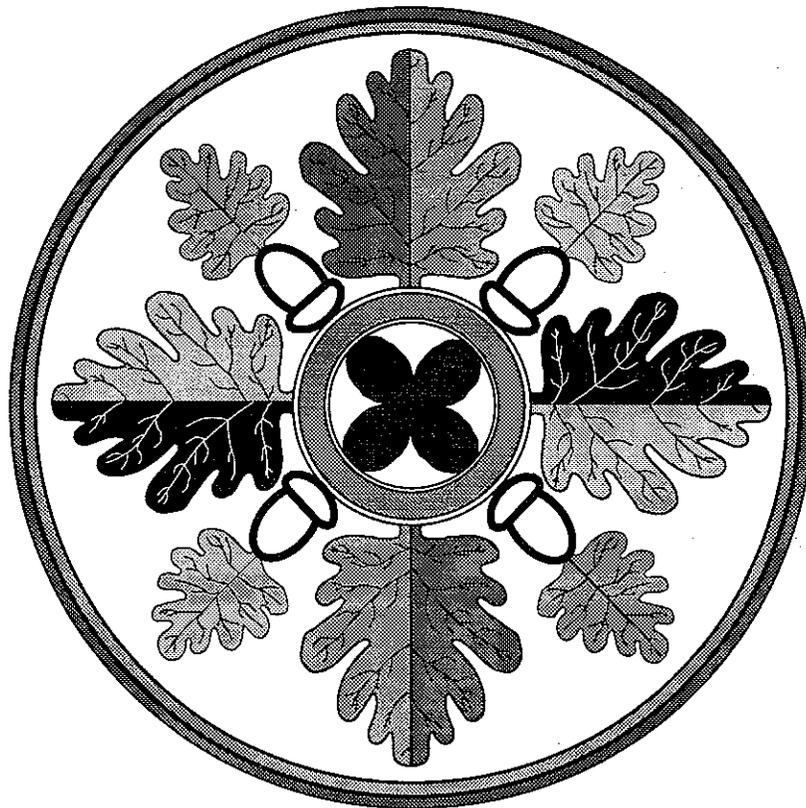
(Expressed in Thousands)

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)
\$ 23,098	\$ 23,092	\$ (6)	\$	\$	\$	\$ 925,726	\$ 980,493	\$ 54,767
. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	776,018	797,097	21,079
. . . . .	. . . . .	. . . . .	1,008	1,201	193	465,508	473,154	7,646
. . . . .	. . . . .	. . . . .	1,125	1,125	. . . . .	61,594	61,594	. . . . .
1,500	714	(786)	1,981	1,007	(974)	91,902	80,033	(11,869)
<u>24,598</u>	<u>23,806</u>	<u>(792)</u>	<u>4,114</u>	<u>3,333</u>	<u>(781)</u>	<u>2,320,748</u>	<u>2,392,371</u>	<u>71,623</u>
. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	562,635	532,389	(30,246)
<u>24,598</u>	<u>23,806</u>	<u>(792)</u>	<u>4,114</u>	<u>3,333</u>	<u>(781)</u>	<u>2,883,383</u>	<u>2,924,760</u>	<u>41,377</u>
23,098	23,075	23	2,825	2,791	34	485,101	477,500	7,601
. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	216,031	213,426	2,605
. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	603,391	598,133	5,258
. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	1,783	1,650	133
. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	1,075,737	1,053,381	22,356
<u>23,098</u>	<u>23,075</u>	<u>23</u>	<u>2,825</u>	<u>2,791</u>	<u>34</u>	<u>2,382,043</u>	<u>2,344,090</u>	<u>37,953</u>
. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	562,635	532,389	30,246
<u>23,098</u>	<u>23,075</u>	<u>23</u>	<u>2,825</u>	<u>2,791</u>	<u>34</u>	<u>2,944,678</u>	<u>2,876,479</u>	<u>68,199</u>
1,500	731	(769)	1,289	542	(747)	(61,295)	48,281	109,576
920	920	. . . . .	. . . . .	. . . . .	. . . . .	35,978	35,978	. . . . .
. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	46,188	. . . . .	(46,188)
920	920	. . . . .	. . . . .	. . . . .	. . . . .	82,166	35,978	(46,188)
2,420	1,651	(769)	1,289	542	(747)	20,871	84,259	63,388
13,352	13,352	. . . . .	13,192	13,192	. . . . .	117,780	117,780	. . . . .
<u>\$ 15,772</u>	<u>\$ 15,003</u>	<u>\$ (769)</u>	<u>\$ 14,481</u>	<u>\$ 13,734</u>	<u>\$ (747)</u>	<u>\$ 138,651</u>	<u>\$ 202,039</u>	<u>\$ 63,388</u>

The "Great or Mighty Oak"

An extremely colorful Hex sign, the great oak sign is filled with meaning. The colors themselves suggest power; especially as it pertains to ones character. A strong, sturdy body and good mind are a need of all men to some degree. This sign is of more recent origin. Some dutchmen believe the oak symbol to be a good sign against witchcraft.

Debt Service Funds



The "Great or Mighty Oak"

(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.

Pennsylvania Infrastructure Investment Authority (PENNVEST) 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 Pennsylvania Infrastructure Investment Authority 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. This reporting group includes ten individual debt service funds.

**COMBINING BALANCE SHEET
DEBT SERVICE FUNDS**

June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)							Total
	Disaster Relief Redemption	Pennsylvania Infrastructure Investment Authority Redemption	Capital Debt	Pennsylvania Higher Educational Facilities Authority	State Public School Building Authority	Land and Water Development Sinking	Other	
ASSETS								
Cash	\$ 1	\$	\$	\$ 977	\$ 46	\$	\$ 3	\$ 1,027
Cash with fiscal agents	264		30,279			2,909	541	33,993
Temporary investments	331	5	13,746	53,786	9,131	8	601	77,608
Long-term investments				48,282				48,282
Receivables, net:								
Accounts			17,097					17,097
Accrued interest	1		26	665	100		952	1,744
Lease rental			14,607					14,607
Other							4	4
Due from other funds						9	374	40,108
TOTAL ASSETS	\$ 597	\$ 39,730	\$ 75,755	\$ 103,710	\$ 9,277	\$ 2,926	\$ 2,475	\$ 234,470
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities			34					34
Matured debt principal and interest payable	264		30,279			2,909	541	33,993
Due to other funds							1,295	1,295
Deferred revenue			31,704					31,704
Other liabilities		51	879			5	48	983
TOTAL LIABILITIES	264	51	62,896			2,914	1,884	68,009
Fund Balance:								
Reserved for:								
Long-term investments				48,282				48,282
Unreserved:								
Designated for:								
Debt Service:								
Retirement of general obligation bonds	333	39,679	12,859			12	591	53,474
Retirement of other bonds				55,428	9,277			64,705
TOTAL FUND BALANCES	333	39,679	12,859	103,710	9,277	12	591	166,461
TOTAL LIABILITIES AND FUND BALANCES	\$ 597	\$ 39,730	\$ 75,755	\$ 103,710	\$ 9,277	\$ 2,926	\$ 2,475	\$ 234,470

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 1993**

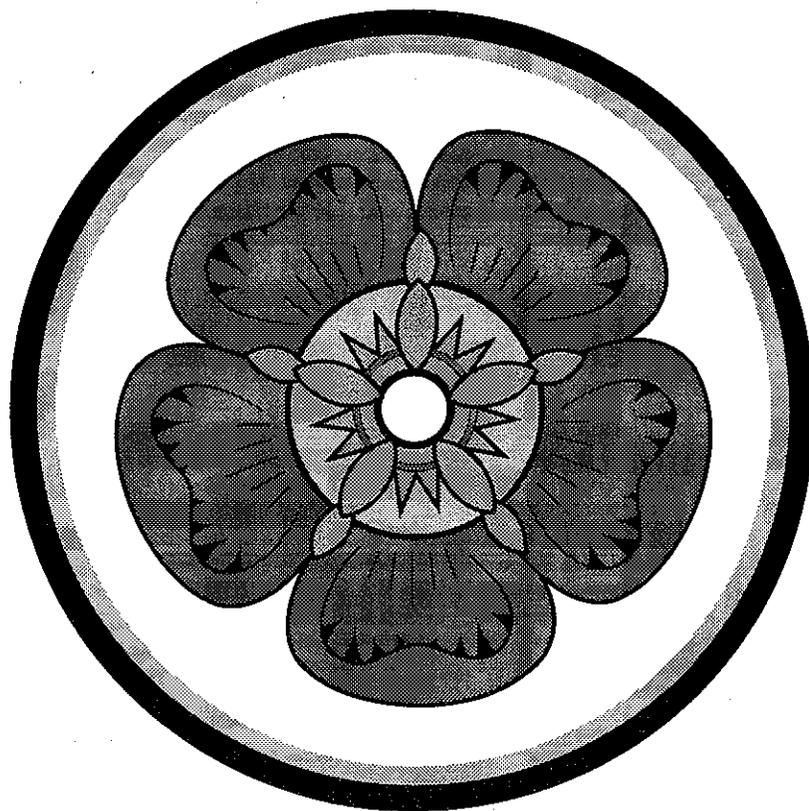
COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)										Total	
	Disease Relief Redemption	Pennsylvania Infrastructure Investment Authority Redemption	Capital Debt	Pennsylvania Higher Educational Facilities Authority	State Public School Building Authority	Land and Water Development Sinking	Other					
REVENUES:												
Investment income	\$ 1	\$ 1	\$ 336	\$ 5,486	\$ 796	\$	\$ 1,319	\$				\$ 7,939
Lease rental principal and interest			4,589									4,589
Other			3,617	15,433	5		4					19,059
TOTAL REVENUES	1	1	8,542	20,919	801	. . . . .	1,323					31,587
EXPENDITURES:												
Debt Service:												
Principal retirement	6,380	3,660	441,635	58,056	34,861	22,920	26,960					594,472
Interest and fiscal charges	4,142	7,445	241,912	107,972	16,505	12,107	20,381					410,464
TOTAL EXPENDITURES	10,522	11,105	683,547	166,028	51,366	35,027	47,341					1,004,936
REVENUES UNDER EXPENDITURES	(10,521)	(11,104)	(675,005)	(145,109)	(50,565)	(35,027)	(46,018)					(973,349)
OTHER FINANCING SOURCES (USES):												
Refunding bond proceeds				133,079	56,187							189,266
Operating transfers in	10,853	11,347	679,353	165,080	50,215	35,096	47,721					999,605
Operating transfers out				(40,352)	(4,776)		(1,316)					(46,444)
Payment to refunded bond escrow agent				(127,865)	(55,158)							(183,023)
NET OTHER FINANCING SOURCES	10,853	11,347	679,353	129,942	46,468	35,096	46,405					959,404
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	332	243	4,348	(15,167)	(4,097)	9	387					(13,945)
FUND BALANCES, JULY 1, 1992	1	39,436	8,511	118,877	13,374	3	204					180,406
FUND BALANCES, JUNE 30, 1993	\$ 333	\$ 39,679	\$ 12,859	\$ 103,710	\$ 9,277	\$ 12	\$ 591	\$	\$	\$	\$	\$ 166,461

Peace & Contentment

The rose of peace and contentment has sometimes been called the messianic rose. It has great power to ward off evil because of its strong colors and historical meaning. It is a very early design and is very beautiful.

CAPITAL PROJECTS FUNDS



Peace & Contentment

(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, 1993

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	\$ 5	\$ 57	\$ 7	\$	\$ 7	\$ 76
Temporary investments	160,900	79,319	108,877	51,243	4,653	404,992
Long-term investments		12,433				12,433
Receivables, net:						
Accrued interest	441	221	55	65	9	791
Due from other funds					125	125
Other assets			1,861			1,861
TOTAL ASSETS	\$ 161,346	\$ 92,030	\$ 110,800	\$ 51,308	\$ 4,794	\$ 420,278
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 40,275	\$	\$ 3,628	\$	\$ 413	\$ 44,316
Due to other funds	1,311				106	1,417
Due to other governments					7	7
Notes payable			75,000			75,000
Other liabilities		1,252	1,576			2,828
TOTAL LIABILITIES	41,586	1,252	80,204		526	123,568
Fund Balance:						
Reserved for:						
Encumbrances	244,419				3,523	247,942
Long-term investments		12,433				12,433
Unreserved:						
Designated for:						
Capital projects		78,345	30,596	51,308	745	160,994
Undesignated (deficit)	(124,659)					(124,659)
TOTAL FUND BALANCES	119,760	90,778	30,596	51,308	4,268	296,710
TOTAL LIABILITIES AND FUND BALANCES	\$ 161,346	\$ 92,030	\$ 110,800	\$ 51,308	\$ 4,794	\$ 420,278

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

For the Fiscal Year Ended June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

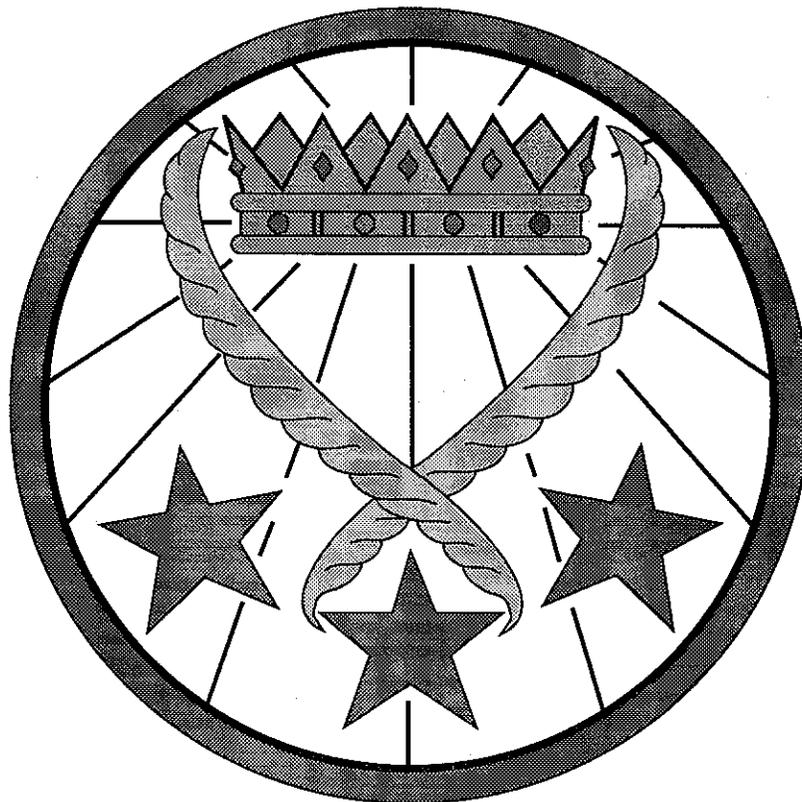
(Expressed in Thousands)

	Capital Facilities	Pennsylvania Higher Educational Facilities Authority	State Public School Building Authority	Local Criminal Justice	Land and Water Development	Total
REVENUES:						
Intergovernmental	\$ 11,877	\$	\$	\$	\$	\$ 11,877
Charges for goods and services	1,925	. . . .	. . . .	. . . .	. . . .	1,925
Investment income	3,620	5,191	2,322	109	41	11,283
Other .....	. . . .	1,120	12	. . . .	37	1,169
TOTAL REVENUES	<u>17,422</u>	<u>6,311</u>	<u>2,334</u>	<u>109</u>	<u>78</u>	<u>26,254</u>
EXPENDITURES:						
General government	707	. . . .	. . . .	. . . .	. . . .	707
Protection of persons and property .....	. . . .	. . . .	. . . .	4,074	. . . .	4,074
Public education .....	. . . .	997	9	. . . .	. . . .	1,006
Conservation of natural resources	4,970	. . . .	. . . .	. . . .	. . . .	4,970
Economic development and assistance	5,877	. . . .	. . . .	. . . .	. . . .	5,877
Transportation	109,484	. . . .	. . . .	. . . .	. . . .	109,484
Capital outlay	150,878	169,796	26,076	. . . .	2,906	349,656
TOTAL EXPENDITURES	<u>271,916</u>	<u>170,793</u>	<u>26,085</u>	<u>4,074</u>	<u>2,906</u>	<u>475,774</u>
REVENUES UNDER EXPENDITURES	<u>(254,494)</u>	<u>(164,482)</u>	<u>(23,751)</u>	<u>(3,965)</u>	<u>(2,828)</u>	<u>(449,520)</u>
OTHER FINANCING SOURCES (USES):						
Bond proceeds	368,204	108,103	14,085	51,270	8,965	550,627
Operating transfers in .....	. . . .	43,133	1,468	. . . .	. . . .	44,601
Operating transfers out	(22,596)	(38,514)	(704)	. . . .	(41)	(61,855)
NET OTHER FINANCING SOURCES	<u>345,608</u>	<u>112,722</u>	<u>14,849</u>	<u>51,270</u>	<u>8,924</u>	<u>533,373</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>91,114</u>	<u>(51,760)</u>	<u>(8,902)</u>	<u>47,305</u>	<u>6,096</u>	<u>83,853</u>
FUND BALANCES (DEFICIT), JULY 1, 1992	<u>29,072</u>	<u>142,538</u>	<u>39,498</u>	<u>4,003</u>	<u>(1,828)</u>	<u>213,283</u>
RESIDUAL EQUITY TRANSFER OUT	<u>(426)</u>	. . . .	. . . .	. . . .	. . . .	<u>(426)</u>
FUND BALANCES, JUNE 30, 1993	<u>\$ 119,760</u>	<u>\$ 90,778</u>	<u>\$ 30,596</u>	<u>\$ 51,308</u>	<u>\$ 4,268</u>	<u>\$ 296,710</u>

Power

The crown for authority, the stars for wisdom, and the palms of victory suggest ultimate triumph over evil. A truly regal sign, this has appeared on furniture and as bed decorations carved into wooden headboards. Very unusual and probably more "Christian than Dutch" the sign is a lovely example of imagery in color and design.

ENTERPRISE FUNDS



Power

(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. This reporting group includes thirteen individual enterprise funds.

**COMBINING BALANCE SHEET
ENTERPRISE FUNDS**

June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Pennsylvania Turnpike Commission (May 31, 1993)	Pennsylvania Industrial Development Authority	State Workmen's Insurance (Dec. 31, 1992)	State Stores (June 29, 1993)	Pennsylvania Higher Education Assistance Agency	Pennsylvania Housing Finance Agency	Pennsylvania Infrastructure Investment Authority	Other	Total
Cash	\$ 4,646	\$ 1,078	\$ 6,383	\$ 3,737	\$ 17,900	\$ 6,309	\$ 1,342	\$ 608	\$ 42,003
Temporary investments	655,576	111,722	448,508	46,518	284,586	518,941	95,229	134,981	2,296,061
Long-term investments	29,313	96,728	670,037	.....	127,790	133,545	.....	185	1,057,598
Receivables, net:									
Accounts	7,296	.....	45,841	3,948	9,626	.....	.....	53	66,764
Accrued interest	2,219	2,887	12,851	136	60,391	.....	1,074	1,247	80,805
Notes and loans	.....	420,322	12,059	.....	1,300,907	1,842,860	638,138	227,781	4,442,067
Other	.....	12,883	.....	.....	.....	.....	.....	.....	12,883
Due from other funds	1,246	.....	77	21	.....	.....	.....	4,028	5,372
Due from other governments	.....	.....	.....	.....	32,129	.....	.....	16	32,145
Inventory	8,350	.....	.....	97,369	.....	.....	.....	172	105,891
Fixed assets	2,524,061	.....	9,378	49,992	78,353	3,716	154	23,383	2,689,037
Less: accumulated depreciation	(960,298)	.....	(6,255)	(25,981)	(30,927)	(2,200)	(96)	(21,628)	(1,047,385)
Other assets	19,460	5,936	994	555	17,140	15,301	6,397	693	66,476
TOTAL ASSETS	\$ 2,291,869	\$ 651,556	\$ 1,199,873	\$ 176,295	\$ 1,897,895	\$ 2,518,472	\$ 742,238	\$ 371,519	\$ 9,849,717

LIABILITIES AND FUND EQUITY

Liabilities:									
Accounts payable and accrued liabilities	\$ 97,188	\$ 300	\$ 7,548	\$ 69,146	\$ 41,841	\$ 54,589	\$ 2,266	\$ 4,946	\$ 277,824
Due to other funds	2,542	77	6,338	16,137	832	15	39,769	262	65,972
Due to other governments	.....	.....	.....	386	9,691	.....	3	7	10,087
Deferred revenue	.....	.....	49,998	.....	42,144	.....	667	3,582	96,391
Notes payable	.....	.....	.....	1,425	390,874	8,000	.....	.....	400,299
Demand revenue bonds payable	.....	.....	.....	66,000	310,000	.....	.....	.....	310,000
Advances from other funds	.....	.....	2,000	.....	10,941	.....	.....	.....	68,000
Other liabilities	9,010	8,792	8,925	.....	147,880	.....	.....	.....	185,548
Insurance loss liability	.....	.....	1,116,316	.....	.....	.....	.....	.....	1,116,316
Revenue bonds payable	1,114,406	266,264	.....	.....	848,785	2,051,241	142,010	.....	4,422,706
TOTAL LIABILITIES	1,223,146	275,433	1,191,125	153,094	1,655,108	2,261,725	184,715	8,797	6,953,143
Fund Equity:									
Contributed capital	158,444	249,740	.....	2,294	.....	1,960	548,604	242,651	1,203,693
Retained earnings (deficit):									
Reserved	910,279	.....	80,295	7,000	196,090	29,758	.....	7,069	1,230,491
Unreserved	.....	126,383	(71,547)	13,907	46,697	225,029	8,919	113,002	462,390
TOTAL FUND EQUITY	1,068,723	376,123	8,748	23,201	242,787	256,747	557,523	362,722	2,896,574
TOTAL LIABILITIES AND FUND EQUITY	\$ 2,291,869	\$ 651,556	\$ 1,199,873	\$ 176,295	\$ 1,897,895	\$ 2,518,472	\$ 742,238	\$ 371,519	\$ 9,849,717

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

For the Fiscal Year Ended June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Pennsylvania Turnpike Commission (May 31, 1993)	Pennsylvania Industrial Development Authority	State Workmen's Insurance (Dec. 31, 1992)	State Stores (June 29, 1993)	Pennsylvania Higher Education Assistance Agency	Pennsylvania Housing Finance Agency	Pennsylvania Infrastructure Investment Authority	Other	Total
OPERATING REVENUES:									
Sales and services	\$ 269,833	\$	\$ 346,605	\$ 682,523	\$ 267,075	\$ 8,848	\$ 423	\$ 16,753	\$ 1,592,060
Investment income .....	.....	7,075	114,238	.....	18,719	34,524	2,709	4,278	181,543
Interest on notes and loans .....	.....	17,140	.....	.....	91,767	153,691	9,539	5,773	277,910
Other	7,553	989	62	.....	.....	3,205	1	1,383	13,193
TOTAL OPERATING REVENUES	277,386	25,204	460,905	682,523	377,561	200,268	12,672	28,187	2,064,706
OPERATING EXPENSES:									
Cost of sales and services	134,844	2,368	488,447	631,005	486,838	9,803	2,064	20,739	1,776,108
Interest expense .....	.....	18,595	515	.....	78,712	167,536	7,694	.....	273,052
Depreciation	118,391	.....	974	6,130	6,207	264	31	722	132,719
Bad debts .....	.....	1,092	38,574	550	.....	1,400	2,409	9,752	53,777
Other .....	.....	.....	.....	.....	.....	1,480	.....	7	1,487
TOTAL OPERATING EXPENSES	253,235	22,055	528,510	637,685	571,757	180,483	12,198	31,220	2,237,143
OPERATING INCOME (LOSS)	24,151	3,149	(67,605)	44,838	(194,196)	19,785	474	(3,033)	(172,437)
NONOPERATING REVENUES (EXPENSES):									
Investment income	13,795	.....	.....	1,449	.....	.....	.....	913	16,157
Interest expense	(25,564)	.....	.....	(28)	.....	.....	.....	.....	(25,592)
Oil company franchise tax	38,271	.....	.....	.....	.....	.....	.....	.....	38,271
Other .....	.....	.....	.....	(72)	.....	.....	.....	249	177
NONOPERATING REVENUES (EXPENSES), NET	26,502	.....	.....	1,349	.....	.....	.....	1,162	29,013
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEM	50,653	3,149	(67,605)	46,187	(194,196)	19,785	474	(1,871)	(143,424)
OPERATING TRANSFERS:									
Operating transfers in .....	.....	.....	.....	.....	209,374	.....	.....	.....	209,374
Operating transfers out .....	.....	.....	.....	(34,677)	.....	.....	.....	.....	(34,677)
OPERATING TRANSFERS, NET .....	.....	.....	.....	(34,677)	209,374	.....	.....	.....	174,697
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	50,653	3,149	(67,605)	11,510	15,178	19,785	474	(1,871)	31,273
Extraordinary Loss on Early Extinguishment of Debt	(64,102)	.....	.....	.....	.....	(10,994)	.....	.....	(75,096)
NET INCOME (LOSS)	(13,449)	3,149	(67,605)	11,510	15,178	8,791	474	(1,871)	(43,823)
RETAINED EARNINGS, JULY 1, 1992	923,728	123,234	76,353	9,397	227,609	245,996	8,445	121,951	1,736,713
RESIDUAL EQUITY TRANSFER .....	.....	.....	.....	.....	.....	.....	.....	(9)	(9)
RETAINED EARNINGS, JUNE 30, 1993	\$ 910,279	\$ 126,383	\$ 8,748	\$ 20,907	\$ 242,787	\$ 254,787	\$ 8,919	\$ 120,071	\$ 1,692,881

COMBINING STATEMENT OF CASH FLOWS ENTERPRISE FUNDS

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

CASH PROVIDED FROM (USED FOR) OPERATIONS:

	Pennsylvania Turnpike Commission (May 31, 1993)	Pennsylvania Industrial Development Authority	State Workmen's Insurance (Dec. 31, 1992)	State Stores (June 29, 1993)
Operating income (loss)	\$ 24,151	\$ 3,149	\$ (67,605)	\$ 44,838
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	118,391	.....	974	6,130
Amortization .....	.....	329	.....	.....
Provision for uncollectible accounts .....	.....	1,092	38,574	550
Nonoperating revenue	38,271	.....	.....	.....
Change in assets and liabilities:				
(Increase)/decrease in receivables	2,530	(4,780)	(60,944)	(2,927)
(Increase)/decrease in due from other funds	20,318	.....	89	(21)
(Increase)/decrease in due from other governments .....	.....	.....	.....	.....
Decrease in inventory	567	.....	.....	28,237
(Increase)/decrease in other assets	929	12	(83)	(348)
Increase/(decrease) in accounts payable and accrued liabilities	(14,745)	62	1,190	(2,285)
Increase/(decrease) in due to other funds	(134)	.....	4,501	(3,557)
Increase/(decrease) in due to other governments	(19)	.....	(25)	30
Increase in deferred revenue .....	.....	.....	7,677	.....
Increase in insurance loss liability .....	.....	.....	200,081	.....
Increase/(decrease) in other liabilities	1,340	(309)	(4,713)	.....
Total adjustments	167,448	(3,594)	187,321	25,809
NET CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES	191,599	(445)	119,716	70,647

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Proceeds from issuance of notes payable and revenue bonds .....	.....	.....	.....	2,008
Principal paid on notes payable and revenue bonds .....	.....	(10,645)	.....	(583)
Interest paid on notes payable and revenue bonds .....	.....	.....	.....	(28)
Operating transfers in .....	.....	.....	.....	.....
Operating transfers out .....	.....	.....	.....	(34,677)
Increases in contributed capital .....	.....	70,000	.....	.....
Residual equity transfer out .....	.....	.....	.....	.....
NET CASH PROVIDED BY/(USED FOR) NONCAPITAL FINANCING ACTIVITIES .....	.....	59,355	.....	(33,280)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from issuance of revenue bonds	561,127	.....	.....	.....
Principal paid on revenue bonds	(575,616)	.....	.....	.....
Interest paid on revenue bonds	(25,564)	.....	.....	.....
Increases in contributed capital	10,875	.....	.....	.....
Decreases in contributed capital .....	.....	.....	.....	.....
Acquisition and construction of capital assets	(280,957)	.....	(464)	(3,383)
Proceeds from sale of capital assets .....	.....	.....	.....	.....
NET CASH PROVIDED BY/(USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(310,135)	.....	(464)	(3,383)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(245,685)	(14,198,774)	(1,191,688)	(488,929)
Proceeds from sale and maturities of investments	351,576	14,139,559	1,075,535	453,357
Investment income	13,795	.....	.....	1,449

NET CASH PROVIDED BY/(USED FOR) INVESTING ACTIVITIES

NET CASH PROVIDED BY/(USED FOR) INVESTING ACTIVITIES	119,686	(59,215)	(116,153)	(34,123)
---	---------	----------	-----------	----------

NET INCREASE/(DECREASE) IN CASH

NET INCREASE/(DECREASE) IN CASH	1,150	(305)	3,099	(139)
CASH, JULY 1, 1992	3,496	1,383	3,284	3,876
CASH, JUNE 30, 1993	\$ 4,646	\$ 1,078	\$ 6,383	\$ 3,737

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

For the Fiscal Year Ended June 30, 1993

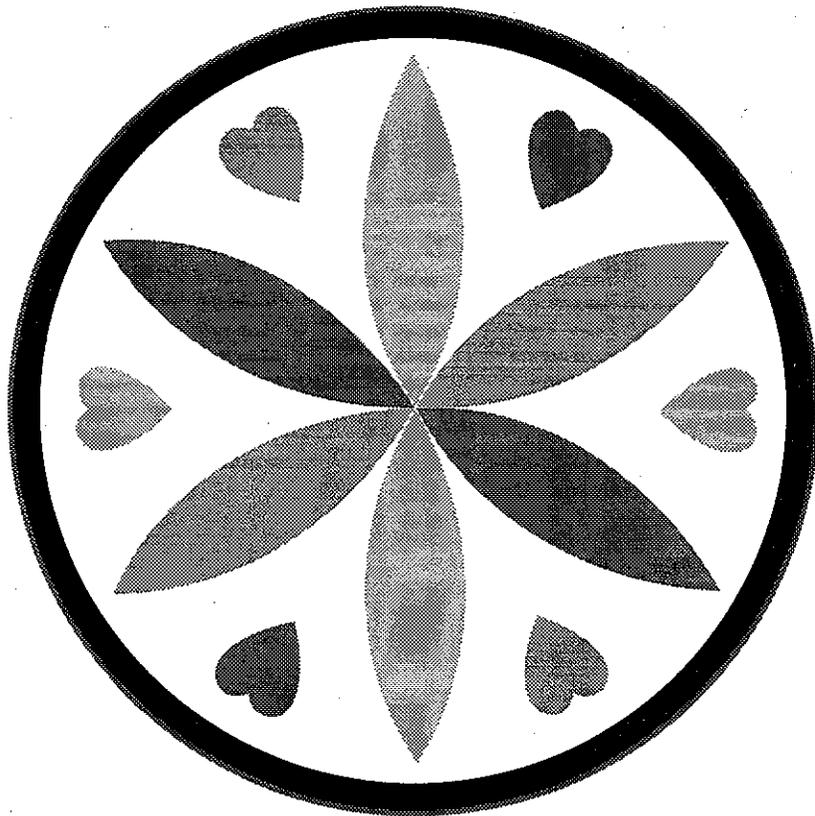
(Expressed in Thousands)

Pennsylvania Higher Education Assistance Agency	Pennsylvania Housing Finance Agency	Pennsylvania Infrastructure Investment Authority	Other	Total
\$ (194,196)	\$ 19,785	\$ 474	\$ (3,033)	\$ (172,437)
6,207	264	31	722	132,719
.....	.....	.....	.....	329
.....	1,400	2,409	9,752	53,777
.....	.....	.....	249	38,520
(36,777)	(57,744)	(171,851)	(31,974)	(364,467)
5,957	.....	.....	(2,529)	17,857
.....	.....	.....	(4)	5,953
.....	.....	.....	17	28,821
(1,127)	(466)	(362)	189	(1,256)
(15,450)	(9,386)	165	152	(40,297)
37	(14)	129	(53)	909
(1,924)	.....	.....	3	(1,935)
3,717	.....	296	233	11,923
.....	.....	.....	.....	200,081
2,859	14,728	.....	.....	13,905
(36,501)	(51,218)	(169,183)	(23,243)	96,839
(230,697)	(31,433)	(168,709)	(26,276)	(75,598)
223,905	271,527	.....	.....	497,440
(121,816)	(573,550)	.....	.....	(706,594)
.....	.....	.....	.....	(28)
209,374	.....	.....	.....	209,374
.....	.....	.....	.....	(34,677)
.....	.....	.....	10,835	80,835
.....	.....	.....	(9)	(9)
311,463	(302,023)	.....	10,826	46,341
.....	.....	.....	.....	561,127
.....	.....	(490)	.....	(576,106)
.....	.....	.....	.....	(25,564)
.....	.....	199,971	.....	210,846
.....	.....	(6,680)	.....	(6,680)
(16,238)	(224)	(23)	(778)	(302,067)
.....	.....	.....	12	12
(16,238)	(224)	192,778	(766)	(138,432)
(150,640)	(99,892)	(603,642)	(73,211)	(17,052,461)
92,368	439,881	576,131	88,635	17,217,042
.....	.....	.....	913	16,157
(58,272)	339,989	(27,511)	16,337	180,738
6,256	6,309	(3,442)	121	13,049
11,644	.....	4,784	487	28,954
\$ 17,900	\$ 6,309	\$ 1,342	\$ 608	\$ 42,003

The Rosette or Love Hex

The rosette is a copy of the ancient messianic rose of Bible days. It has a long history and proves the strong relationship between religion and superstition. Found on many hex signs the rose has power over evil and strong Christian symbolism. The hearts, differently colored, express love for all and kindness and gentility towards ones beloved.

INTERNAL SERVICE FUNDS



The Rosette or Love Flex

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, 1993

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Purchasing	Manufacturing	Total
ASSETS			
Cash	\$ 208	\$ 176	\$ 384
Temporary investments	6,957	4,953	11,910
Receivables, net:			
Accounts	15	.....	15
Accrued interest	14	13	27
Other .....	.....	366	366
Due from other funds	11,183	2,576	13,759
Due from other governments	362	15	377
Inventory	2,002	9,629	11,631
Fixed assets	35,288	14,776	50,064
Less: accumulated depreciation	(17,266)	(8,496)	(25,762)
Other assets	4,854	108	4,962
TOTAL ASSETS	<u>\$ 43,617</u>	<u>\$ 24,116</u>	<u>\$ 67,733</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable and accrued liabilities	\$ 7,673	\$ 2,663	\$ 10,336
Due to other funds	2,790	177	2,967
Due to other governments	20	26	46
Notes payable	5,131	.....	5,131
TOTAL LIABILITIES	<u>15,614</u>	<u>2,866</u>	<u>18,480</u>
Fund Equity:			
Contributed capital	9,219	.....	9,219
Retained earnings:			
Unreserved	18,784	21,250	40,034
TOTAL FUND EQUITY	<u>28,003</u>	<u>21,250</u>	<u>49,253</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 43,617</u>	<u>\$ 24,116</u>	<u>\$ 67,733</u>

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

For the Fiscal Year Ended June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)		
	Purchasing	Manufacturing	Total
OPERATING REVENUES:			
Sales and services	\$ 72,779	\$ 23,500	\$ 96,279
Other .....	.....	25	25
TOTAL OPERATING REVENUES	<u>72,779</u>	<u>23,525</u>	<u>96,304</u>
OPERATING EXPENSES:			
Cost of sales and services	64,104	21,685	85,789
Depreciation	4,637	620	5,257
TOTAL OPERATING EXPENSES	<u>68,741</u>	<u>22,305</u>	<u>91,046</u>
OPERATING INCOME	<u>4,038</u>	<u>1,220</u>	<u>5,258</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	291	152	443
Interest expense	(518)	.....	(518)
Other	173	(112)	61
NONOPERATING REVENUES (EXPENSES), NET ..	<u>(54)</u>	<u>40</u>	<u>(14)</u>
NET INCOME	<u>3,984</u>	<u>1,260</u>	<u>5,244</u>
RETAINED EARNINGS, JULY 1, 1992	<u>14,800</u>	<u>19,990</u>	<u>34,790</u>
RETAINED EARNINGS, JUNE 30, 1993	<u>\$ 18,784</u>	<u>\$ 21,250</u>	<u>\$ 40,034</u>

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

For the Fiscal Year Ended June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

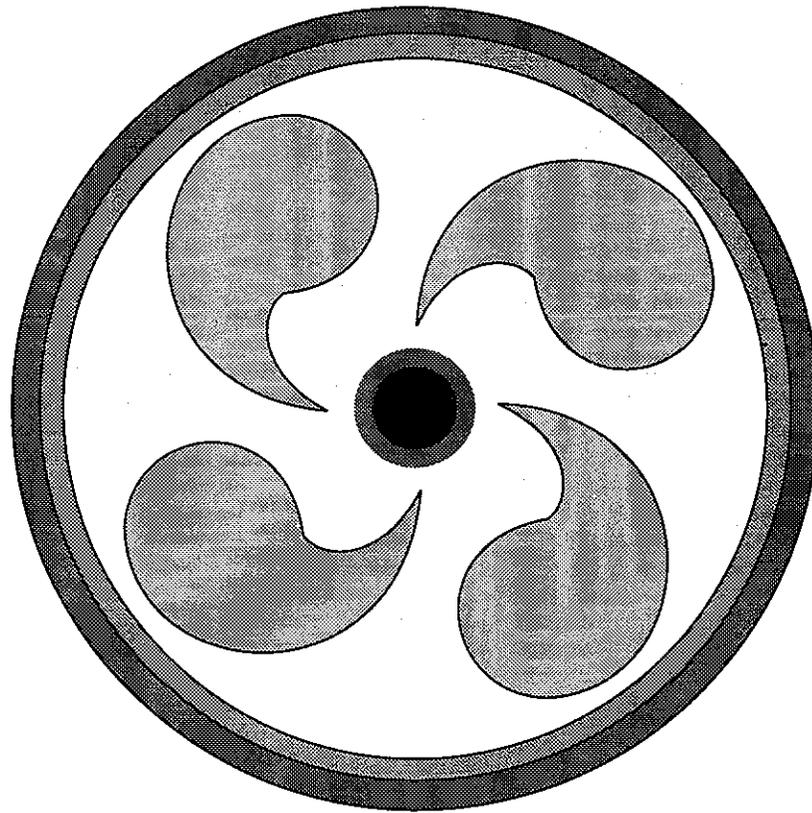
	(Expressed in Thousands)		
	Purchasing	Manufacturing	Total
CASH PROVIDED FROM (USED FOR) OPERATIONS:			
Operating income	\$ 4,038	\$ 1,220	\$ 5,258
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	4,637	620	5,257
Changes in assets and liabilities:			
Decrease in receivables	48	296	344
Increase in due from other funds	(3,314)	(696)	(4,010)
(Increase)/Decrease in due from other governments ..	(109)	7	(102)
(Increase)/decrease in inventory	(195)	582	387
Increase in other assets	(4,854)	(91)	(4,945)
Decrease in accounts payable and accrued liabilities	(4,883)	(38)	(4,921)
Increase in due to other funds	2,625	27	2,652
Increase/(decrease) in due to other governments	(3)	3	.....
Decrease in deferred revenue .....	.....	(29)	(29)
TOTAL ADJUSTMENTS	(6,048)	681	(5,367)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(2,010)	1,901	(109)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Proceeds from issuance of notes payable	6,620	.....	6,620
Principal paid on notes payable	(1,489)	.....	(1,489)
Interest paid on notes payable	(177)	.....	(177)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	4,954	.....	4,954
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest paid on revenue bonds	(341)	.....	(341)
Acquisition and construction of capital assets	(9,114)	(1,774)	(10,888)
Proceeds from sale of capital assets	1,423	.....	1,423
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(8,032)	(1,774)	(9,806)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(35,528)	(15,809)	(51,337)
Proceeds from sale and maturities of investments	40,245	15,506	55,751
Investment income	291	152	443
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	5,008	(151)	4,857
NET DECREASE IN CASH	(80)	(24)	(104)
CASH, JULY 1, 1992	288	200	488
CASH, JUNE 30, 1993	<u>\$ 208</u>	<u>\$ 176</u>	<u>\$ 384</u>

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

The Hex Sign for Rain

This is one of the most popular of all Hex signs. It is widely used on barns and has the three most useful colors. Whirling drops suggest power in the sign itself.

TRUST AND AGENCY FUNDS



The Hex Sign for Rain

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. This reporting group includes six individual expendable trust funds.

PENSION TRUST FUNDS

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

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

TRUST AND AGENCY FUNDS—DESCRIPTIONS

AGENCY FUNDS

Institutional Custodian Accounts — to collect and administer personal funds received for the needs of patients at veterans hospitals and inmates at State correctional institutions.

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 state and local governments or the Federal Government. This reporting group includes eight individual agency funds.

**COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS**

June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Expendable Trust Funds	Pension Trust Funds	Agency Funds	Total
ASSETS				
Cash	\$ 5,131	\$ 67	\$ 6,144	\$ 11,342
Cash with fiscal agents	1,043,941	.....	.....	1,043,941
Temporary investments	39,364	1,655,402	472,806	2,167,572
Long-term investments	271,615	32,414,674	137,527	32,823,816
Receivables, net:				
Taxes	417,451	.....	2,774	420,225
Accounts	4,690	.....	63,367	68,057
Accrued interest	6,748	299,164	1,256	307,168
Pension contributions .....	.....	223,341	.....	223,341
Other .....	.....	80	73	153
Due from other funds	14,461	196,535	4,054	215,050
Due from other governments	60,044	10,954	195	71,193
Fixed assets .....	.....	10,877	.....	10,877
Less: accumulated depreciation .....	.....	(3,860)	.....	(3,860)
Other assets .....	.....	444,189	13,304	457,493
TOTAL ASSETS	\$ 1,863,445	\$35,251,423	\$ 701,500	\$37,816,368
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 179,163	\$ 287,249	\$ 138,382	\$ 604,794
Investment purchases payable .....	.....	791,177	.....	791,177
Tax refunds payable	1,823	.....	.....	1,823
Due to other funds	11,535	573	1,269	13,377
Due to other governments	3,237	.....	197,370	200,607
Other liabilities .....	.....	.....	364,479	364,479
TOTAL LIABILITIES	195,758	1,078,999	701,500	1,976,257
Fund Balance:				
Reserved for:				
Encumbrances	3,317	.....	.....	3,317
Pension benefits .....	.....	34,172,424	.....	34,172,424
Long-term investments	271,615	.....	.....	271,615
Unreserved:				
Designated for:				
Other	262	.....	.....	262
Undesignated	1,392,493	.....	.....	1,392,493
TOTAL FUND BALANCES	1,667,687	34,172,424	.....	35,840,111
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,863,445	\$35,251,423	\$ 701,500	\$37,816,368

**COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS**

June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)				
	Unemployment Compensation	Workmen's Compensation Security Trust	Catastrophic Loss Benefits Continuation	Other	Total
ASSETS					
Cash	\$ 5,000	\$ 116	\$ 13	\$ 2	\$ 5,131
Cash with fiscal agents	1,043,941	.....	.....	.....	1,043,941
Temporary investments	2,562	17,750	16,799	2,253	39,364
Long-term investments .....	.....	271,098	.....	517	271,615
Receivables, net:					
Taxes	417,451	.....	.....	.....	417,451
Accounts .....	.....	33	4,657	.....	4,690
Accrued interest	16	6,681	45	6	6,748
Due from other funds	2,969	11,492	.....	.....	14,461
Due from other governments	60,044	.....	.....	.....	60,044
TOTAL ASSETS	\$ 1,531,983	\$ 307,170	\$ 21,514	\$ 2,778	\$ 1,863,445
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 119,478	\$ 33,516	\$ 26,136	\$ 33	\$ 179,163
Tax refunds payable	1,823	.....	.....	.....	1,823
Due to other funds .....	.....	11	11,524	.....	11,535
Due to other governments	3,237	.....	.....	.....	3,237
TOTAL LIABILITIES	124,538	33,527	37,660	33	195,758
Fund Balance:					
Reserved for:					
Encumbrances .....	.....	3,233	.....	84	3,317
Long-term investments .....	.....	271,098	.....	517	271,615
Unreserved:					
Designated for:					
Other .....	.....	.....	.....	262	262
Undesignated (deficit)	1,407,445	(688)	(16,146)	1,882	1,392,493
TOTAL FUND BALANCES (DEFICIT)	1,407,445	273,643	(16,146)	2,745	1,667,687
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,531,983	\$ 307,170	\$ 21,514	\$ 2,778	\$ 1,863,445

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

For the Fiscal Year Ended June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Unemployment Compensation	Workmen's Compensation Security Trust	Catastrophic Loss Benefits Continuation	Other	Total
REVENUES:					
Taxes	\$ 5,779	\$	\$	\$	\$ 5,779
Unemployment taxes	1,660,849	.....	.....	.....	1,660,849
Licenses and fees .....	.....	27,292	31,921	54	59,267
Intergovernmental	1,156,435	.....	.....	.....	1,156,435
Investment income	65,754	23,810	364	121	90,049
Other	204	2,711	465	.....	3,380
TOTAL REVENUES	2,889,021	53,813	32,750	175	2,975,759
EXPENDITURES:					
Current:					
General government .....	.....	4,481	1,221	42	5,744
Protection of persons and property .....	.....	37,008	17,982	92	55,082
Public health and welfare	2,697,998	.....	.....	.....	2,697,998
Public education .....	.....	.....	.....	3	3
TOTAL EXPENDITURES	2,697,998	41,489	19,203	137	2,758,827
REVENUES OVER EXPENDITURES	191,023	12,324	13,547	38	216,932
OTHER FINANCING SOURCES:					
Operating transfers in .....	.....	.....	.....	4	4
REVENUES AND OTHER SOURCES OVER EXPENDITURES	191,023	12,324	13,547	42	216,936
FUND BALANCES (DEFICIT), JULY 1, 1992	1,216,422	261,319	(29,693)	2,703	1,450,751
FUND BALANCES (DEFICIT), JUNE 30, 1993	\$ 1,407,445	\$ 273,643	\$ (16,146)	\$ 2,745	\$ 1,667,687

**COMBINING BALANCE SHEET
PENSION TRUST FUNDS**

June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	State Employees' Retirement System (December 31, 1992)	Public School Employees' Retirement System	Total
ASSETS			
Cash	\$ 1	\$ 66	\$ 67
Temporary investments	372,959	1,282,443	1,655,402
Long-term investments	11,927,648	20,487,026	32,414,674
Receivables, net:			
Accrued interest	81,822	217,342	299,164
Pension contributions .....	.....	223,341	223,341
Other	80	.....	80
Due from other funds	71,082	125,453	196,535
Due from other governments	10,954	.....	10,954
Fixed assets	100	10,777	10,877
Less: accumulated depreciation	(100)	(3,760)	(3,860)
Other assets .....	.....	444,189	444,189
TOTAL ASSETS	<u>\$12,464,546</u>	<u>\$22,786,877</u>	<u>\$35,251,423</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 11,030	\$ 276,219	\$ 287,249
Investment purchases payable .....	.....	791,177	791,177
Due to other funds	157	416	573
TOTAL LIABILITIES	<u>11,187</u>	<u>1,067,812</u>	<u>1,078,999</u>
Fund Balance:			
Reserved for:			
Pension benefits	12,453,359	21,719,065	34,172,424
TOTAL FUND BALANCES	<u>12,453,359</u>	<u>21,719,065</u>	<u>34,172,424</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$12,464,546</u>	<u>\$22,786,877</u>	<u>\$35,251,423</u>

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

For the Fiscal Year Ended June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	State Employes' Retirement System (December 31, 1992)	Public School Employes' Retirement System	Total
OPERATING REVENUES:			
Investment income	\$ 857,770	\$ 2,107,170	\$ 2,964,940
Pension contributions	484,842	1,374,768	1,859,610
TOTAL OPERATING REVENUES	1,342,612	3,481,938	4,824,550
OPERATING EXPENSES:			
Cost of sales and services	11,501	16,659	28,160
Depreciation	5	1,386	1,391
Benefit payments and refunds	837,396	1,327,142	2,164,538
TOTAL OPERATING EXPENSES	848,902	1,345,187	2,194,089
OPERATING INCOME	493,710	2,136,751	2,630,461
OPERATING TRANSFERS:			
Operating transfers in	21,418	2,547	23,965
Operating transfers out	(1,856)	(13,029)	(14,885)
OPERATING TRANSFERS, NET	19,562	(10,482)	9,080
NET INCOME	513,272	2,126,269	2,639,541
FUND BALANCES, JULY 1, 1992	11,940,087	19,592,796	31,532,883
FUND BALANCES, JUNE 30, 1993	\$12,453,359	\$21,719,065	\$34,172,424

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

For the Fiscal Year Ended June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Balance July 1, 1992	Additions	Deductions	Balance June 30, 1993
INSTITUTIONAL CUSTODIAN ACCOUNTS				
ASSETS				
Cash	\$ 3,511	\$ 47,386	\$ 48,237	\$ 2,660
Temporary investments	16,021	15,513	14,502	17,032
Long-term investments	1,113	153	13	1,253
Receivables, net:				
Accounts	5,543	9,057	5,542	9,058
Accrued interest	13	.....	13	.....
Other assets	3,371	911	161	4,121
TOTAL ASSETS	\$ 29,572	\$ 73,020	\$ 68,468	\$ 34,124
LIABILITIES				
Accounts payable and accrued liabilities	\$ 6,819	\$ 3,594	\$ 1,196	\$ 9,217
Other liabilities	22,753	32,880	30,726	24,907
TOTAL LIABILITIES	\$ 29,572	\$ 36,474	\$ 31,922	\$ 34,124
STATUTORY LIQUIDATOR FUND				
ASSETS				
Cash	\$	\$ 46,623	\$ 46,623	\$
Temporary investments	118,136	25,422	.....	143,558
Long-term investments	47,044	.....	26,814	20,230
Receivables, net:				
Accounts	73,746	63	19,809	54,000
Accrued interest	517	437	517	437
Due from other funds .....	.....	77	.....	77
Other assets	16,528	.....	7,345	9,183
TOTAL ASSETS	\$ 255,971	\$ 72,622	\$ 101,108	\$ 227,485
LIABILITIES				
Accounts payable and accrued liabilities	\$	\$ 149	\$	\$ 149
Due to other funds .....	.....	321	.....	321
Other liabilities	255,971	253	29,209	227,015
TOTAL LIABILITIES	\$ 255,971	\$ 723	\$ 29,209	\$ 227,485
DEFERRED COMPENSATION FUND (December 31)				
ASSETS				
Cash	\$ 1	\$ 56,192	\$ 55,957	\$ 236
Temporary investments	9,453	13,126	12,900	9,679
Long-term investments	79,304	36,740	.....	116,044
Receivables, net:				
Accrued interest	38	327	338	27
Other	112	73	112	73
TOTAL ASSETS	\$ 88,908	\$ 106,458	\$ 69,307	\$ 126,059
LIABILITIES				
Accounts payable and accrued liabilities	\$ 88,672	\$ 43,323	\$ 6,193	\$ 125,802
Due to other funds	236	257	236	257
TOTAL LIABILITIES	\$ 88,908	\$ 43,580	\$ 6,429	\$ 126,059

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

For the Fiscal Year Ended June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Balance July 1, 1992	Additions	Deductions	Balance June 30, 1993
FIRE INSURANCE TAX FUND				
ASSETS				
Cash.....	\$	\$ 100,330	\$ 100,329	\$ 1
Temporary investments	49,815	50,615	49,736	50,694
Receivables, net:				
Accrued interest	177	510	556	131
TOTAL ASSETS	<u>\$ 49,992</u>	<u>\$ 151,455</u>	<u>\$ 150,621</u>	<u>\$ 50,826</u>
LIABILITIES				
Due to other funds	\$ 177	\$ 464	\$ 510	\$ 131
Due to other governments	49,815	50,594	49,714	50,695
TOTAL LIABILITIES	<u>\$ 49,992</u>	<u>\$ 51,058</u>	<u>\$ 50,224</u>	<u>\$ 50,826</u>
MUNICIPAL PENSION AID FUND				
ASSETS				
Cash.....	\$	\$ 140,687	\$ 140,686	\$ 1
Temporary investments	117,258	137,868	138,334	116,792
Receivables, net:				
Accrued interest	414	2,226	2,339	301
Due from other funds	274	3,435	3,525	184
TOTAL ASSETS	<u>\$ 117,946</u>	<u>\$ 284,216</u>	<u>\$ 284,884</u>	<u>\$ 117,278</u>
LIABILITIES				
Due to other governments	\$ 117,946	\$ 127,122	\$ 127,790	\$ 117,278
TOTAL LIABILITIES	<u>\$ 117,946</u>	<u>\$ 127,122</u>	<u>\$ 127,790</u>	<u>\$ 117,278</u>
MEDICAL PROFESSIONAL LIABILITY CATASTROPHE LOSS FUND				
ASSETS				
Cash.....	\$ 1,079	\$ 330,580	\$ 329,623	\$ 2,036
Temporary investments	105,572	167,259	159,436	113,395
Receivables, net:				
Accounts	97	105	92	110
Accrued interest	360	3,991	4,056	295
TOTAL ASSETS	<u>\$ 107,108</u>	<u>\$ 501,935</u>	<u>\$ 493,207</u>	<u>\$ 115,836</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,907	\$ 9,487	\$ 8,193	\$ 3,201
Due to other funds	28	74	28	74
Due to other governments	3	1,794	1,793	4
Other liabilities	105,170	167,041	159,654	112,557
TOTAL LIABILITIES	<u>\$ 107,108</u>	<u>\$ 178,396</u>	<u>\$ 169,668</u>	<u>\$ 115,836</u>

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

For the Fiscal Year Ended June 30, 1993

COMMONWEALTH OF PENNSYLVANIA

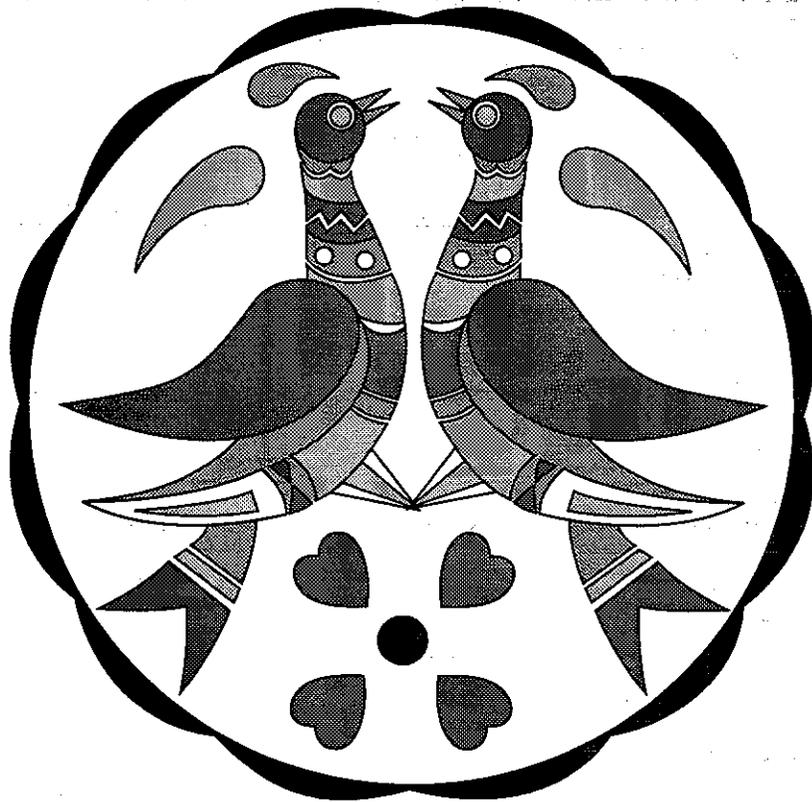
(Expressed in Thousands)

	Balance July 1, 1992	Additions	Deductions	Balance June 30, 1993
OTHER FUNDS				
ASSETS				
Cash	\$ 904	\$ 586,213	\$ 585,907	\$ 1,210
Temporary investments	23,374	288,323	290,041	21,656
Receivables, net:				
Taxes	3,392	7,000	7,618	2,774
Accounts	4,273	182	4,256	199
Accrued interest	97	550	582	65
Due from other funds	2,496	3,793	2,496	3,793
Due from other governments	255	58	118	195
TOTAL ASSETS	\$ 34,791	\$ 886,119	\$ 891,018	\$ 29,892
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,903	\$ 184	\$ 4,074	\$ 13
Due to other funds	547	401	462	486
Due to other governments	30,341	299,522	300,470	29,393
TOTAL LIABILITIES	\$ 34,791	\$ 300,107	\$ 305,006	\$ 29,892
TOTAL — ALL FUNDS				
ASSETS				
Cash	\$ 5,495	\$1,308,011	\$1,307,362	\$ 6,144
Temporary investments	439,629	698,126	664,949	472,806
Long-term investments	127,461	36,893	26,827	137,527
Receivables, net:				
Taxes	3,392	7,000	7,618	2,774
Accounts	83,659	9,407	29,699	63,367
Accrued interest	1,616	8,041	8,401	1,256
Other	112	73	112	73
Due from other funds	2,770	7,305	6,021	4,054
Due from other governments	255	58	118	195
Other assets	19,899	911	7,506	13,304
TOTAL ASSETS	\$ 684,288	2,075,825	2,058,613	701,500
LIABILITIES				
Accounts payable and accrued liabilities	\$ 101,301	\$ 56,737	\$ 19,656	\$ 138,382
Due to other funds	988	1,517	1,236	1,269
Due to other governments	198,105	479,032	479,767	197,370
Other liabilities	383,894	200,174	219,589	364,479
TOTAL LIABILITIES	\$ 684,288	\$ 737,460	\$ 720,248	\$ 701,500

Love and Marriage

The two distlefinks insure double good luck and the hearts suggest lots of love. Scallops for smooth sailing in the marriage and happy days.

GENERAL FIXED ASSETS ACCOUNT GROUP



Love and Marriage

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, 1993*

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)			Balance June 30, 1993
	Balance July 1 1992 (As Restated)	Additions	Retirements	
GENERAL FIXED ASSETS:				
Land	\$ 222,520	\$ 7,710	\$ 478	\$ 229,752
Buildings	2,183,740	101,411	1,993	2,283,158
Improvements other than buildings	152,356	2,094	.....	154,450
Furniture, machinery and equipment	417,663	70,973	11,214	477,422
	<u>2,976,279</u>	<u>182,188</u>	<u>13,685</u>	<u>3,144,782</u>
Construction in progress	157,072	78,018	105,750	129,340
Total General Fixed Assets	<u>\$3,133,351</u>	<u>\$ 260,206</u>	<u>\$ 119,435</u>	<u>\$3,274,122</u>
INVESTMENT IN GENERAL FIXED ASSETS:				
Acquired on or before June 30, 1986	\$2,039,208	\$	\$ 11,638	\$2,027,570
Acquired after June 30, 1986 from:				
General fund revenues	119,065	39,940	1,670	157,335
General obligation bonds	607,528	105,801	30	713,299
Federal grants	23,995	3,354	113	27,236
Special revenue funds	178,600	33,093	234	211,459
Donations	7,833	.....	.....	7,833
Confiscations	50	.....	.....	50
Total Sources	<u>2,976,279</u>	<u>182,188</u>	<u>13,685</u>	<u>3,144,782</u>
Construction in progress	157,072	78,018	105,750	129,340
Total Investment in General Fixed Assets	<u>\$3,133,351</u>	<u>\$ 260,206</u>	<u>\$ 119,435</u>	<u>\$3,274,122</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, 1993

COMMONWEALTH OF PENNSYLVANIA

FUNCTION	Expressed in Thousands				Total
	Land	Buildings	Improvements Other Than Buildings	Furniture, Machinery And Equipment	
General government	\$ 9,358	\$ 447,341	\$ 23,095	\$ 53,873	533,667
Protection of persons and property	5,962	534,025	47,566	50,903	638,456
Public health and welfare	2,945	591,152	16,867	59,594	670,558
Public education	17,452	583,690	49,410	5,067	655,619
Conservation of natural resources	190,689	59,670	10,869	24,031	285,259
Economic development and assistance ..	.....	.....	.....	381	381
Transportation	3,346	67,280	6,643	283,573	360,842
TOTALS ALLOCATED TO FUNCTIONS	\$ 229,752	\$2,283,158	\$ 154,450	\$ 477,422	3,144,782
Construction in progress					129,340
TOTAL GENERAL FIXED ASSETS					\$3,274,122

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION

For the Fiscal Year Ended June 30, 1993

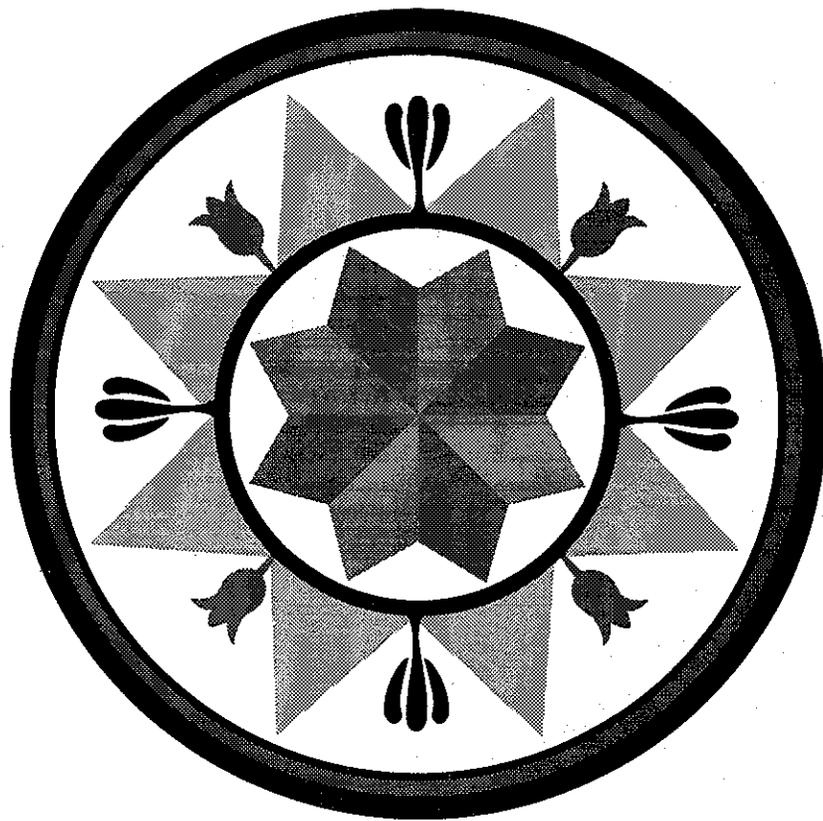
COMMONWEALTH OF PENNSYLVANIA

FUNCTION	Expressed in Thousands					Balance June 30, 1993
	Balance July 1, 1992 (As Restated)	Additions	Retirements	Transfers In	Transfers Out	
General government	\$ 482,726	\$ 55,141	\$ 8,803	\$ 8,084	\$ 3,481	\$ 533,667
Protection of persons and property	606,052	39,418	1,631	943	6,326	638,456
Public health and welfare	620,367	51,887	1,330	142	508	670,558
Public education	654,299	1,620	.....	.....	300	655,619
Conservation of natural resources	281,353	4,629	409	179	493	285,259
Economic development and assistance	114	219	.....	48	.....	381
Transportation	331,368	29,274	1,512	4,768	3,056	360,842
	2,976,279	182,188	13,685	14,164	14,164	3,144,782
Construction in progress	157,072	78,018	105,750	.....	.....	129,340
TOTALS	\$3,133,351	\$ 260,206	\$ 119,435	\$ 14,164	\$ 14,164	\$3,274,122

The Fertility Hex

The Fertility Hex is said to have "wonderful good power" and to produce good results. Fertility symbols have a direct line of meaning and are used to bring about larger animal litters and have been known to help the family grow. The abundance of design and many signs among signs serve to work the great power it is presumed to have. This is one of the more common types.

COLLEGE AND UNIVERSITY FUNDS



The Fertility Hex

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, 1993

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds			Agency	Totals
	Unrestricted	Restricted			Unexpended	Renewal and Replacement	Retirement of Incubidness			Investment in Plant
ASSETS									
Cash	\$ 5,550	\$	\$	\$	\$	\$	\$	\$	\$ 5,550
Temporary investments	256,928				14,757				271,685
Long-term investments	41	182		3,056					56,953
Receivables, net:									
Accounts	12,190	7,280				16		324	19,868
Accrued interest				71					71
Loans			23,456						23,456
Other	4,573				143				4,716
Due from other funds		5,414	1,578	3,750	46,794	41,227		18,328	128,704
Inventory	4,542								4,542
Fixed assets									543,576
Less: accumulated depreciation									(148,748)
Other assets	18,631	36			138				3,911
TOTAL ASSETS	\$ 302,455	\$ 12,912	\$ 25,034	\$ 6,877	\$ 61,832	\$ 41,243	\$ 69,256	\$ 18,652	\$ 933,089

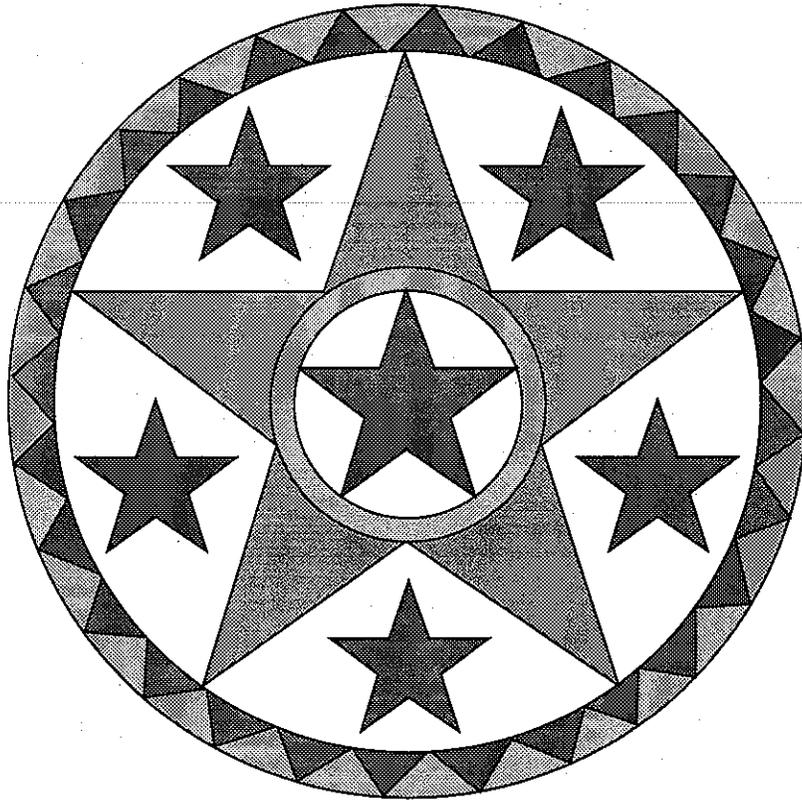
LIABILITIES AND FUND EQUITY

Liabilities:									
Accounts payable and accrued liabilities	\$ 65,754	\$ 1,376	\$	\$	\$ 4,613	\$ 921	\$ 1,145	\$ 5,188	\$ 79,251
Due to other funds	135,384							1,871	137,255
Deferred revenue	29,639								29,639
Notes payable								86	86
Other liabilities	24,979		2					2,385	45,764
Capital lease obligations					14,178		8,144	167,618	189,940
TOTAL LIABILITIES	255,756	1,376	2		18,791	921	9,289	177,148	481,935
Fund Equity:									
Investment in fixed assets								217,680	217,680
Fund Balance:									
Reserved for:									
Encumbrances	8,875	1,282			12,639	4,778			27,574
Loans receivable			25,032						25,032
Endowment and similar funds	13,403			6,877					20,280
Restricted fund balance		10,254			4,991	18,212	1,916		35,373
Other	49,400								49,400
Unreserved:									
Undesignated (deficit)	(24,979)				25,411	17,332	58,051		75,815
TOTAL FUND EQUITY	46,699	11,536	25,032	6,877	43,041	40,322	59,967	217,680	451,154
TOTAL LIABILITIES AND FUND EQUITY	\$ 302,455	\$ 12,912	\$ 25,034	\$ 6,877	\$ 61,832	\$ 41,243	\$ 69,256	\$ 18,652	\$ 933,089

Lucky Stars

These are your lucky stars.

STATISTICAL SECTION



Lucky Stars

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

TABLE 1

For the Last Ten Fiscal Years Ended June 30

COMMONWEALTH OF PENNSYLVANIA

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
(Expressed in Thousands)										
REVENUES BY SOURCE										
Taxes	\$ 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	\$ 15,467,501
Licenses and fees	504,439	524,927	540,234	564,781	588,526	629,370	661,265	685,196	699,141	717,508
Intergovernmental	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	6,949,683
Charges for sales and services	343,062	480,759	530,519	486,243	536,175	528,691	508,643	1,015,169	1,754,679	1,654,175
Investment income	134,141	203,872	195,202	194,900	193,945	226,190	221,835	158,280	141,433	94,362
Lottery receipts, net of prizes through 1986 ⁽²⁾	540,017	593,115	557,481	1,341,631	1,472,311	1,575,312	1,529,835	1,520,943	1,374,271	1,440,784
Other ⁽³⁾	129,727	122,191	231,346	185,341	153,580	281,251	389,318	411,195	343,661	348,727
TOTAL REVENUES	\$ 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	\$ 26,672,740
EXPENDITURES BY FUNCTION										
General government ⁽²⁾	\$ 906,842	\$ 829,609	\$ 803,909	\$ 1,516,385	\$ 1,741,126	\$ 1,873,466	\$ 1,921,076	\$ 1,890,388	\$ 1,917,410	\$ 2,004,638
Protection of persons and property	693,043	778,897	911,957	948,562	1,021,668	1,092,335	1,217,333	1,291,746	1,377,461	1,466,885
Public health and welfare	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	11,288,552
Public education	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	6,460,659
Conservation of natural resources	179,604	257,112	299,010	305,599	334,833	368,906	373,719	431,006	468,431	483,644
Economic development and assistance	164,791	158,107	187,614	206,355	346,037	349,767	363,950	315,362	302,028	284,940
Transportation	1,474,704	1,843,703	2,083,335	2,114,625	2,171,964	2,304,822	2,392,365	2,391,785	2,265,894	2,536,894
Capital outlay	157,946	345,881	463,671	476,118	274,336	229,753	168,807	298,506	207,168	418,062
Debt Service:										
Principal retirement	386,310	759,471	1,186,619	659,548	482,277	440,152	608,360	526,625	568,900	594,472
Interest and fiscal charges	346,924	358,358	407,066	405,701	408,968	448,482	455,574	452,986	487,479	430,947
TOTAL EXPENDITURES	\$ 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	\$ 25,969,693

(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

(Expressed in Thousands)

<u>For The Fiscal Year Ended June 30</u>	<u>Net Bonded Debt</u>	<u>Population</u>	<u>Debt Per Capita</u>
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	11,882	390
1991	4,787,512	11,952	400
1992	4,873,542	12,009	406

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)	%
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
1993	497,045	19,986,749	2.49

(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 September 1, 1993

COMMONWEALTH OF PENNSYLVANIA

Average annual tax revenues deposited in the previous five fiscal years	\$15,465,558,790
Constitutional factor	x 1.75
Constitutional debt limit for debt incurred without the approval of the electors	27,064,727,883
Less outstanding net debt (non electorate approved)	3,989,437,224
Legal debt margin	<u>\$23,075,290,659</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 September 1, 1993.

SCHEDULE OF REVENUE BOND COVERAGE

TABLE 5

For the Last Ten Fiscal Years

COMMONWEALTH OF PENNSYLVANIA

Pennsylvania Turnpike Commission							
(Expressed in Thousands)							
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	
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
1993	329,452	134,844	194,608	11,595	65,600	77,195	2.52

Pennsylvania Industrial Development Authority							
(Expressed in Thousands)							
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	
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
1993	25,204	2,368	22,836	10,645	18,595	29,240	.78

Pennsylvania Housing Finance Agency							
(Expressed in Thousands)							
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	
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
1993	200,268	9,803	190,465	27,410	166,480	193,890	.98

(a) Excludes interest on notes payable.

ANNUAL ESTIMATES OF THE RESIDENT POPULATION — TABLE 6
PENNSYLVANIA COMPARED TO THE UNITED STATES

For the Last Ten Calendar Years

COMMONWEALTH OF PENNSYLVANIA

<u>Calendar Year</u>	<u>(Expressed in Thousands)</u>		<u>%</u>
	<u>United States</u>	<u>Pennsylvania</u>	
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	248,710	11,882	4.8
1991	252,160	11,958	4.7
1992	255,082	12,009	4.7

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

STATE BANKING INSTITUTIONS TABLE 7
 DEMAND DEPOSITS AND TIME AND SAVINGS DEPOSITS

For the Last Ten Calendar Years

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

Calendar Year	Demand Deposits	Time and Savings Deposits
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
1992	7,150,024	51,434,858

SOURCE: Pennsylvania Department of Banking

**RESIDENT EMPLOYMENT, UNEMPLOYMENT AND UNEMPLOYMENT RATE —
PENNSYLVANIA COMPARED TO THE UNITED STATES**

TABLE 8

For the Last Ten Calendar Years

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands except percent)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
PENNSYLVANIA										
Civilian labor force	5,505	5,479	5,527	5,637	5,653	5,764	5,857	5,901	5,933	6,004
Employment	4,855	4,981	5,084	5,251	5,333	5,470	5,592	5,583	5,524	5,554
Unemployment	650	498	443	386	320	294	265	318	409	450
Rate %	11.8	9.1	8.0	6.8	5.7	5.1	4.5	5.4	6.9	7.5

UNITED STATES

Civilian labor force	111,550	113,544	115,461	117,835	119,865	121,669	123,869	124,788	125,303	126,982
Employment	100,834	105,005	107,150	109,598	112,440	114,968	117,342	117,914	116,877	117,598
Unemployment	10,716	8,539	8,311	8,237	7,425	6,701	6,527	6,874	8,426	9,384
Rate %	9.6	7.5	7.2	7.0	6.2	5.5	5.3	5.5	6.7	7.4

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	%
1983	2,834,385	142,183	5.0	12,226	12,078	98.8
1984	3,101,163	151,386	4.9	13,336	12,998	97.5
1985	3,317,545	160,820	4.9	14,159	13,888	98.1
1986	3,519,364	169,697	4.8	14,910	14,715	98.7
1987	3,754,577	180,559	4.8	15,641	15,449	98.8
1988	4,063,045	195,107	4.8	16,615	16,468	99.1
1989	4,367,719	209,367	4.8	17,696	17,644	99.7
1990	4,648,867	222,693	4.8	18,635	18,725	100.5
1991	4,813,897	230,946	4.8	19,091	19,313	101.2
1992	5,061,045	243,222	4.8	19,841	20,253	102.1

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

THIRTY LARGEST NONGOVERNMENTAL EMPLOYERS

TABLE 10

For the Calendar Year 1992

COMMONWEALTH OF PENNSYLVANIA

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

Advanta Corporation	Kennametal Incorporated
Air Products and Chemicals, Inc.	Keystone Financial, Inc.
Alco Standard Corporation	Lukens Inc.
Allegheny Ludlum Corporation	Mellon Bank Corp.
Aluminum Company of America	Meridian Bancorp, Inc.
Ametek	Miles, Inc.
AMP Incorporated	Mylan Laboratories
ARCO Chemical	Nova Care
Armstrong World Industries, Inc.	PNC Financial Corporation
Associated Communications Corp.	PPG Industries, Inc.
Bell Atlantic Corporation	Pennsylvania Power & Light Co.
Bethlehem Steel Corporation	Penn Traffic Co.
Betz Laboratories	Pep Boys
Calgon Carbon Corporation	Philadelphia Electric Co.
Charming Shoppes	Quaker State Corporation
Cigna Corporation	QVC Network
Comcast Corporation	Rhone—Poulenc Rorer
Consolidated Natural Gas Co.	Rite Aid Corporation
Consolidated Rail Corporation	Rohm and Haas Company
CoreStates Financial Corporation	Scott Paper Company
Crown Cork and Seal Company, Inc.	Sun Company, Inc.
Dauphin Deposit Corporation	UGI Corporation
DQE Corporation	Union Pacific Corporation
Equitable Resources	UNISYS Corporation
Exide Corporation	U.S. Healthcare
Glatfelter (P.H.) Company	USX Corporation
H.J. Heinz Company	VF Corporation
Harsco Corporation	Vishay Intertechnology
Hershey Foods Corporation	Weis Markets, Incorporated
Integra Financial Corporation	Westinghouse Electric Corporation
Intelligent Electronics	Westmoreland Coal Co.
Jones Apparel Group	York International
Joy Technologies	

SOURCE: *The Fortune 500* and the *Forbes 500* listings, published April 1993

JUNE 30, 1993

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	107
Number of State Police	4,172
Higher Education (Universities, Colleges and Community Colleges):	
Number of campuses in state	238
Number of educators	22,662
Number of students	639,828
Recreation:	
Number of State Parks	114
Area of State Parks	275,692 Acres
Area of State Forests	2,088,688 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)