

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

For Fiscal Year Ended June 30, 2000



**Commonwealth of Pennsylvania
Tom Ridge
Governor**

Prepared By:

**Office of the Budget
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**Comptroller Operations
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COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE
HARRISBURG

December 6, 2000

ROBERT A. BITTENBENDER
SECRETARY
OFFICE OF THE BUDGET

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

This Comprehensive Annual Financial Report (CAFR) of the Commonwealth of Pennsylvania displays our continued commitment to sound and effective fiscal management and to financial reporting based on generally accepted accounting principles (GAAP). This CAFR includes the Commonwealth's independently audited general purpose financial statements as of and for the fiscal year ended June 30, 2000. It will provide you and the financial community with all the information required to assess the Commonwealth's financial position, results of operations and the management of its financial resources.

On a budgetary basis, the Commonwealth's General Fund at June 30, 2000 ended the fiscal year with a \$718.2 million unreserved/undesignated fund balance, prior to reserving \$107.7 million for transfer to the Tax Stabilization Reserve (Rainy Day) Fund. After the transfer, the unreserved/undesignated fund balance on the budgetary basis was \$610.5 million. Including the transfer for the 1999-00 fiscal year, the balance in the Tax Stabilization Reserve Fund increased to \$1.105 billion. The increased balance in the Tax Stabilization Reserve Fund and the improved balance in the General Fund convinced Moody's Investors Service, a national bond rating agency, to increase the Commonwealth's general obligation bond rating in October 2000 from Aa3 to Aa2.

Favorable national economic conditions continue to benefit Pennsylvania. As of October 2000, the number of employed Pennsylvania workers was above year-ago levels. The higher number of employed Pennsylvanians caused the unemployment rate to fall one-tenth of a percentage point from the year earlier period to 4.2 percent in October 2000. While higher than during some of the previous months, the rate remains close to the national unemployment rate. The current outlook for the economy is for national and Pennsylvania economic growth to moderate from recent levels. Slower rates of growth for tax revenues also are anticipated. While no economic recession is anticipated, the Commonwealth expects to continue to enhance its current level balance in the Tax Stabilization Reserve Fund for any such need.

Continuing a six-year record of tax cuts and fiscal discipline with responsible spending, the Commonwealth made many changes to the Tax Reform Code, mostly to reduce future taxes. These changes included a Personal Computer Tax "Holiday" to exempt certain purchases from the sales and use tax during two specified periods, an expansion of the Special Poverty Exemption from the personal income tax, the elimination of the minimum capital stock and franchise tax liability, the gradual elimination of the capital stock and franchise tax through 2008, and the Homeowners' Century Tax Rebate which provides up to a \$100 rebate for homeowners who paid school district property tax. Other tax changes were made to public utilities gross receipts tax, public utility realty tax, insurance premium tax, malt beverage tax, and inheritance tax. The total estimated savings to taxpayers associated with this Act is approximately \$774.6 million in fiscal year 2000-01, including the one-time \$330 million for the Homeowners' Century Rebate program.

Economic development continues to be a long-term commitment of the Commonwealth as evidenced by the significant amount of funds appropriated for loans and grants to employers. Among these loans and grants were \$36.9 million transferred from the General Fund to the Ben Franklin/Industrial Resource Centers Partnership Fund to create jobs through the development and application of technology and advanced production techniques. Also, \$33.5 million of loans and grants for infrastructure development of industrial sites were approved and disbursed from the General Fund. The Machinery and Equipment Loan Fund provided \$19 million in low interest loans and the Pennsylvania Industrial Development Authority provided \$82 million in loans to local industrial development agencies to stimulate economic activity. The Opportunity Grants Program, funded by the General Fund, provided \$35 million for grants to attract and retain businesses. The Small Business First Fund, which is partially funded by the General Fund, disbursed more than \$30 million in low interest loans to small businesses. The Commonwealth

created the Pennsylvania Technology Investment Program and provided \$18.2 million for financing of technology businesses and expansion of university-based research and development in technology fields. Financing includes grants, loans and equity investments to build, attract and retain knowledge-based firms.

Pennsylvania is also working to create jobs in other ways. Recognizing that success begins with a well-trained workforce, the Commonwealth provided \$29 million from the General Fund for customized job training. It also recognized the opportunity to capitalize on the global marketplace by providing an increase of \$1.5 million to expand international offices, \$1 million to expand domestic and international markets for agricultural products, and \$4 million to expand internet-based marketing of Pennsylvania products. Marketing Pennsylvania as a tourist destination and business place was funded at \$20 million. The tourism industry was also provided \$5 million to facilitate regional tourism coordination and over \$10 million in tourist promotion assistance to local agencies.

Education is essential to Pennsylvania's future. The General Fund provided nearly \$3.7 billion to our public schools through the Basic Education Funding subsidy. Total funding for basic education was nearly \$6.2 billion, including funding for special education, pupil transportation, teacher retirement and social security, and special programs to address the needs of economically and educationally challenged students. In addition, over \$1.7 billion was provided for higher educational institutions and students.

The Commonwealth continued the technology initiative known as Project Link to Learn. This initiative is helping to bring global computer resources into Pennsylvania's classrooms and enabling schools to participate in advances in computing and communications. Over \$24 million in fourth-year funding was provided for the acquisition of computers and network connections in our schools. This brings the four-year total investment to over \$136 million. This initiative will provide for the development of the community-based Pennsylvania Education Network.

In addition, \$16.8 million was provided for the third year of a new program in which schools that improve their academic performance are rewarded with additional funding. This builds upon the \$23.8 million that was provided in the previous two years of the program.

The Department of Corrections increased its institutional capacity by 1,091 beds with the opening of cellblocks at several correctional institutions.

The Commonwealth continued its comprehensive welfare reform program based on individual and family self-sufficiency. The program incorporates the changes made by Congress in passage of the Personal Responsibility and Work Opportunity Reconciliation Act and those changes authorized by the General Assembly in Act 35 of 1996. The program provides time limited cash assistance for families and other support to enable individuals to find and keep a job. Federal support includes two block grants: Temporary Assistance to Needy Families and Child Care Development. State and Federal expenditures for these programs and Medical Assistance amounted to \$8.95 billion in the 1999-00 fiscal year. Approximately 40 percent of the total cost of assistance to the economically needy is funded by the General Fund, with the balance provided by the Federal government. A Medical Assistance Intergovernmental Transfer provided additional funds totaling \$982 million during the 1999-00 fiscal year.

During the 1999-00 fiscal year several major laws were enacted that created new programs and/or modified existing programs. The following summarizes some of these changes:

- Act 1999-63 extended, with several new provisions, current legislation authorizing the Employment Tax Credit for businesses that hire eligible individuals. The new Act raised the amount of qualified wages an employee can make from \$6,000 to \$9,000 (50% increase) and expanded the definition of qualified wages to include employer provided benefits. The bill also extended additional credits to employers that provide or pay for childcare and/or transportation for eligible individuals. The employer may carryover the credits for 10 years. The previous carryover period was 3 years. The \$25 million cap on the credit will remain.
- Act 1999-68, the Environmental Stewardship and Watershed Protection Act, addresses watershed protection, supports waste and sewer infrastructure projects, supports activities to reduce acid mine drainage, abandoned well pollution, conserves natural resources and creates outdoor recreation opportunities.

- Act 2000-11 expanded the educational assistance program for qualified National Guard personnel. The eligibility criteria were expanded to include company grade officers and the maximum tuition amount was increased from two-thirds of the State System of Higher Education (SSHE) tuition to 100 percent tuition.
- Act 2000-16 amended the Public School Code to make various changes including: Commonwealth payments for basic education funding and special education funding to school districts, including charter schools; for payments to intermediate units, secondary vocational education subsidies and equipment grants; for small district assistance and funding for community colleges. The act also added a new article for Educational Empowerment for certain school districts with low test scores to redesign their educational programs and receive additional funds from the Commonwealth. If, after three years, the test scores have not improved, special boards will take over management of the school districts.

In summary, the general purpose financial statements show that commitment to fiscal discipline has resulted in continued financial improvements, allowed the Commonwealth to lower taxes and to continue funding programs that enhance economic development, provide equity in education and meet critical human service needs.

Sincerely,



Robert A. Bittenbender
Secretary
Office of the Budget

**COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE
HARRISBURG**

December 6, 2000

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

Dear Secretary Bittenbender:

I am pleased to present this Comprehensive Annual Financial Report (CAFR) on the financial position and operations of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 2000. 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 GPFS contained in this CAFR were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). They were jointly audited by the elected Auditor General of the Commonwealth of Pennsylvania and Ernst & Young LLP, a nationally recognized public accounting firm. Their Independent Auditors' Report 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 report 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 fully understand the Commonwealth's operations and financial affairs have been included. Responsibility for the completeness and fairness of the presentation, including all disclosures, rests with the Commonwealth of Pennsylvania, Office of the Budget.

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 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

For financial reporting purposes, the Commonwealth is a primary government. The primary government, or PG, includes all publicly elected members of the executive, legislative and judicial branches of the Commonwealth. The PG also includes all Commonwealth departments, agencies, boards and organizations that are not legally separate. In addition to the PG, the financial reporting entity includes blended and discretely presented component units. Component units include all legally separate organizations for which the PG is financially accountable, and other organizations for which the nature and significance of their relationship with the PG are such that exclusion would cause the financial statements to be misleading or incomplete. The criteria used to define financial accountability include appointment of a voting majority of an organization's governing body and (1) the ability of the PG to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the PG. Fiscal dependency is also considered.

Based upon the financial accountability criteria, all of the following organizations, as discussed in Note A of the Notes to Financial Statements, are included in the financial reporting entity as discretely presented component units, except the State Employees' Retirement System, which is included in the Commonwealth's primary government as a blended component unit:

Ben Franklin/IRC Partnership—Governmental Fund
Insurance Fraud Prevention Authority—Governmental Fund
Pennsylvania Higher Educational Facilities Authority—Governmental Fund
Pennsylvania Higher Education Assistance Agency—Proprietary Fund
Pennsylvania Housing Finance Agency—Proprietary Fund
Pennsylvania Industrial Development Authority—Proprietary Fund
Pennsylvania Infrastructure Investment Authority—Proprietary Fund
Pennsylvania Life and Health Insurance Guaranty Association—Agency Fund
Pennsylvania Property and Casualty Insurance Guaranty Association—Agency Fund
Pennsylvania Turnpike Commission—Proprietary Fund
Philadelphia Shipyard Development Corporation—Governmental Fund
Public School Employees' Retirement System—Fiduciary Fund
State Employees' Retirement System—Pension Trust Fund
State Public School Building Authority—Governmental Fund
State System of Higher Education—College and University Funds

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 provide 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 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, maintain 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 fiscal year end, both revenues and expenditures are adjusted to reflect appropriate accruals and deferrals 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 accounting guidance and reporting practices applicable to governmental colleges and universities, as outlined in the American Institute of Certified Public Accountants Industry Audit Guide, *Audits of Colleges and Universities*, and pronouncements issued by the GASB.

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 that 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

Trends for Pennsylvania economic indicators through 1999 and through mid-2000 have been for employment to grow, unemployment to decline, and personal income to rise faster than inflation. All together, these trends – more jobs, higher standards of living and shorter periods of unemployment for those caught in economic dislocations – have helped state tax revenues exceed the budget estimate for the fiscal year ended in June 2000.

In October 2000 the Pennsylvania unemployment rate was 4.2 percent, one of the lowest Pennsylvania rates during the past thirty years, and an improvement of one-tenth of a percentage point over the unemployment rate in October 1999. Although employment has been rising in Pennsylvania in recent years, those gains have been below the national growth rate. In 1999, Pennsylvania's growth in employment was 0.9 percent compared to the national rate of 2.3 percent. One reason for this trend of slow employment growth is a declining population. According to the U.S. Census Bureau, the number of persons residing in Pennsylvania has slowly declined each year since 1995.

Despite the current lack of a growing workforce, employment and the number of jobs in Pennsylvania are expanding, although slowly. These new jobs have contributed to a reduced number of unemployed people in Pennsylvania. These new jobs have also contributed to the trend for personal income in Pennsylvania to rise and, on a per-capita basis, to maintain close parity with the national average.

The economic outlook for Pennsylvania is to generally follow the path the national economy takes. This outlook represents a continuation of Pennsylvania's trend in recent years. The consensus forecast for the U.S. covering the next eighteen months anticipates that the interest rate increases directed by the Federal Reserve Board will sufficiently reduce the pace of real economic growth in the U.S. from the annualized 5.6 percent rate in the second quarter of 2000, to more modest, yet historically strong, gains in the area of 3.5 percent per year. Slower growth is anticipated to be the response to higher interest rates, smaller stock market gains, a slowdown in technology financing and a high value for the dollar in international commerce. Recently, energy prices – oil, natural gas, and electricity – have jumped above previous levels. It is expected that these increased costs to consumers will reinforce the expectation of slower economic growth.

THE GENERAL FUND

The General Fund, the Commonwealth's largest fund, is the focal point of any assessment of Pennsylvania's financial position. It accounts for all revenues and receipts that 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 60.7 percent of the General Fund budgetary basis 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 transfers to debt service funds 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, 2000, the Commonwealth reported an unreserved/undesignated fund balance (budgetary basis) of \$610.5 million in the General Fund. This compares to a budgetary basis fund balance of \$447.5 million, at June 30, 1999. The budgetary basis fund balance for the fiscal year ended June 30, 2000 was the result of revenue collections totaling \$31,279.5 million less appropriation authorizations totaling \$31,133.1 million, plus other net financing sources totaling \$16.6 million. Included in the \$31,133.1 million appropriation authorizations are \$220.1 million of state supplemental appropriations and \$713.1 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>
1996 (Restated)	158.5	(278.5)
1997 (Restated)	402.3	245.1
1998 (Restated)	265.3	(137.0)
1999	447.5	182.2
2000	610.5	163.0

Modified Accrual Basis: At June 30, 2000 the Commonwealth's General Fund reported a fund balance of \$4,263.7 million, an increase of \$1,400.3 million from the \$2,863.4 million fund balance at June 30, 1999. Total assets increased by \$1,731.4 million to \$7,729.0 million. Liabilities increased \$331.1 million to \$3,465.3 million. These changes and others are reflected in the General Fund summary comparative balance sheet that follows.

**General Fund
Summary Comparative Balance Sheet (GAAP Basis)
(Amounts in Millions)**

	<u>June 30, 2000</u>	<u>June 30, 1999</u>	<u>Increase (Decrease)</u>
Assets			
Cash and temporary investments	\$ 5,268.9	\$ 3,774.7	\$ 1,494.2
Receivables, net.....	1,116.1	983.0	133.1
Due from other funds/component units/governments	<u>1,344.0</u>	<u>1,239.9</u>	<u>104.1</u>
Total Assets	<u>\$ 7,729.0</u>	<u>\$ 5,997.6</u>	<u>\$ 1,731.4</u>
Liabilities			
Accounts payable and other accrued liabilities.....	\$ 2,668.4	\$ 2,393.2	\$ 275.2
Due to other funds/component units/governments.....	755.7	696.7	59.0
Deferred revenue	<u>41.2</u>	<u>44.3</u>	<u>(3.1)</u>
Total Liabilities	<u>3,465.3</u>	<u>3,134.2</u>	<u>331.1</u>
Fund Balance			
Reserved	1,885.7	1,627.7	258.0
Unreserved:			
Designated	677.9	180.5	497.4
Undesignated	<u>1,700.1</u>	<u>1,055.2</u>	<u>644.9</u>
Total Fund Balance	<u>4,263.7</u>	<u>2,863.4</u>	<u>1,400.3</u>
Total Liabilities and Fund Balance.....	<u>\$ 7,729.0</u>	<u>\$ 5,997.6</u>	<u>\$ 1,731.4</u>

**GENERAL GOVERNMENTAL FUNCTIONS — MODIFIED ACCRUAL BASIS
PRIMARY GOVERNMENT**

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, 2000 increased by \$1,484.7 million to \$6,636.5 million from a \$5,151.8 million balance at the beginning of the fiscal year. Unreserved/undesignated fund balances at June 30, 2000 amount to \$1,982.7 million as compared to a \$1,639.1 million unreserved/undesignated fund balance a year ago. Comparative summaries of general governmental revenues by source and expenditures by function (amounts in millions) follow.

General Governmental Revenues by Source. Revenues of the Commonwealth's General, Special Revenue, Debt Service and Capital Projects Funds totaled \$38,431 million. This represents a 7.1 percent increase over the previous year. Taxes constituted 54.5 percent of general governmental revenues; intergovernmental revenues, primarily Federal funds, constituted 28.9 percent.

<u>Revenue Source</u>	Fiscal Years Ended		Increase (Decrease)
	June 30, 2000	June 30, 1999	
Taxes	\$ 20,957	\$ 20,105	\$ 852
Licenses and fees	1,144	1,019	125
Intergovernmental	11,094	10,564	530
Charges for sales and services	2,489	2,057	432
Investment income	396	259	137
Lottery receipts	1,695	1,659	36
Lease rental principal and interest	2	2	-
Other	654	212	442
Total Revenues	<u>\$ 38,431</u>	<u>\$ 35,877</u>	<u>\$ 2,554</u>

Tax revenue increased \$852 million due primarily to an increase in employment and an improvement in the economic condition of the Commonwealth.

Intergovernmental revenues increased \$530 million primarily because of an increase in the authorized Federal reimbursement amounts for medical assistance and long-term care programs.

Other revenue increased by \$442 million due primarily to \$467 million of Tobacco Settlement proceeds that has been deposited to a General Fund restricted account until the Pennsylvania Legislature establishes a new fund.

<u>Taxes by Type</u>	Fiscal Years Ended		Increase (Decrease)
	June 30, 2000	June 30, 1999	
Personal income	\$ 7,141	\$ 6,418	\$ 723
Sales and use	6,858	6,699	159
Corporation	3,660	3,803	(143)
Liquid fuels	718	753	(35)
Other	2,580	2,432	148
Total Tax Revenue	<u>\$ 20,957</u>	<u>\$ 20,105</u>	<u>\$ 852</u>

General Governmental Expenditures by Function. Expenditures of the Commonwealth's General, Special Revenue, Debt Service and Capital Projects Funds totaled \$36,593 million, an increase of \$2,073 million over the previous year. Of the total amount expended, public health and welfare accounted for 45.1 percent, public education for 22.6 percent and transportation for 10.1 percent.

<u>Expenditure Function</u>	<u>Fiscal Years Ended</u>		<u>Increase (Decrease)</u>
	<u>June 30, 2000</u>	<u>June 30, 1999</u>	
General government.....	\$ 2,818	\$ 2,723	\$ 95
Protection of persons and property.....	2,934	2,785	149
Public health and welfare.....	16,486	15,320	1,166
Public education.....	8,283	7,843	440
Conservation of natural resources.....	511	436	75
Economic development and assistance.....	539	469	70
Transportation.....	3,679	3,654	25
Capital outlay.....	587	583	4
Debt service:			
Principal retirement.....	479	444	35
Interest and fiscal charges.....	277	263	14
Total expenditures.....	<u>\$ 36,593</u>	<u>\$ 34,520</u>	<u>\$ 2,073</u>

Expenditures for public health and welfare increased by \$1,166 million or 7.6 percent over the previous fiscal year. Increases in financial support to the economically needy, aid to families with dependent children, and medical assistance comprise a major portion of the public health and welfare expenditure increase.

Expenditures for public education increased \$440 million or 5.6 percent over the previous fiscal year. Increases in allocations to school districts, colleges and universities were the primary reasons for the expenditure increase.

DISCRETELY PRESENTED COMPONENT UNITS— GOVERNMENTAL FUNDS

The discretely presented component unit governmental fund type includes the Pennsylvania Higher Educational Facilities Authority, the Philadelphia Shipyard Development Corporation, the Ben Franklin/IRC Partnership, the Insurance Fraud Prevention Authority and the State Public School Building Authority. Their combined fund balances at June 30, 2000 decreased \$44 million to \$589 million from \$633 million, as restated, at the beginning of the fiscal year.

Revenues of the component unit governmental funds totaled \$504.4 million at June 30, 2000. Lease rental principal and interest revenue of \$281.5 million represents 55.8 percent of total revenues.

Expenditures of the component unit governmental funds totaled \$875.6 million at June 30, 2000. Of the total amount expended, capital outlay was \$520.1 million or 59.4 percent of total expenditures and debt service principal and interest expenditures were \$303.4 million or 34.7 percent.

DEBT ADMINISTRATION

The constitution of the Commonwealth of Pennsylvania permits the incurrence of debt, without approval of the electorate, for capital projects specifically authorized in a capital budget. Capital project debt outstanding cannot exceed one and three quarters (1.75) times the average of the annual tax revenues deposited in all funds during the previous five fiscal years. The certified constitutional debt limit at August 31, 2000 was \$38.7 billion. Outstanding capital project debt at August 31, 2000 amounted to \$4.1 billion.

In addition to constitutionally authorized capital project debt, the Commonwealth may incur debt for electorate approved programs, such as economic revitalization, land and water development, and water facilities restoration; and for special purposes approved by the General Assembly, such as disaster relief.

The total general obligation bond indebtedness outstanding at June 30, 2000 was \$5,367 million. Total debt service transfers paid from General Fund and Motor License Fund appropriations during the fiscal year ended June 30, 2000 amounted to \$755.5 million.

During the fiscal year ending June 30, 2001 the Office of the Budget projects general obligation bond issuances amounting to \$976 million, an increase of \$387 million as compared to actual bond issuances of \$589 million during the fiscal year ended June 30, 2000. This forecast reflects the need to make investments in the Commonwealth's capital infrastructure, particularly prisons, highways, bridges, mass transportation and water supply systems. Debt principal retirements of \$477 million are forecast during fiscal 2001. 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>
1994	\$ 5,100
1995	5,041
1996	5,062
1997	4,842
1998	4,841
1999	5,254
2000	5,367

In addition to general obligation bonds, the Commonwealth may issue tax anticipation notes to meet operating cash needs during certain months of the fiscal year. Tax anticipation notes may be issued only for the General Fund and the Motor License Fund. They may not exceed 20 percent of the funds' estimated revenues for the 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 last four months of the fiscal year.

During the fiscal year ending June 30, 2001, total General Fund revenues and budgeted expenditures, including Federal funds, are expected to increase by 3.2 percent and 2.5 percent, respectively. The Commonwealth has not issued tax anticipation notes during the past two fiscal years and currently has no plans to issue any notes for the 2001 fiscal year. General Fund tax anticipation notes 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>
1997	\$ 550	3
1998	225	1
1999	-	-
2000	-	-
2001 (Estimated)	-	-

CASH MANAGEMENT

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

In addition, the Treasury Department is empowered to invest Commonwealth monies that are in excess of daily needs of the various Commonwealth Funds. Virtually all excess amounts are invested in the Treasury Short-Term Investment Pool (STIP). The STIP includes the following types of investments, with related weighted average maturity and percent of total STIP investments, at June 30, 2000:

<u>Investment Type</u>	<u>Weighted Average Maturity (days)</u>	<u>Percent</u>
Commercial Paper (Moody's Prime One Rating or Equivalent).....	13	11.2
United States Treasury and Agency Obligations	887	15.3
Repurchase Agreements	4	65.0
Certificates of Deposit.....	77	1.6
Corporate Bonds and Notes.....	1,158	0.4
Other.....	1	6.5
		<u>100.0</u>

Total STIP investments amounted to over \$9 billion at June 30, 2000. All STIP investments are reported as temporary investments by participating Funds. The STIP earned \$372 million during the fiscal year, at an average yield of 5.67 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 annuitant medical/hospital benefits and 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. Construction in progress at June 30, 2000 amounted to \$837 million. Authorized but unissued general obligation bonds at June 30, 2000 totaled \$33.1 billion.

PROPRIETARY, FIDUCIARY AND COLLEGE AND UNIVERSITY FUNDS

Primary Government

The Commonwealth's enterprise funds, Proprietary Fund Types, are used to account for revolving loan programs for economic development, for sales of alcoholic beverages and to provide for workers' compensation. Commonwealth enterprise funds reported total retained earnings at June 30, 2000 of \$381.4 million, which represents an increase of \$55.6 million from the \$325.8 million of retained earnings reported the previous year.

Fiduciary type funds, including expendable trust funds, a pension trust fund and an investment trust fund, reported total fund balance of \$33,690 million, compared to \$29,125, as restated, million in the previous year. Total fund balances of the expendable trust funds increased by \$486 million over the previous fiscal year, for total fund balances of \$4,617 million at June 30, 2000. The State Employes' Retirement System, the pension trust fund, reported a fund balance of \$28,093 million, an increase of \$3,970 million from the previous year. The fund balance is completely reserved for pension benefits. The INVEST Program for Local Governments, the investment trust fund, reported a fund balance of \$980 million at December 31, 1999 its fiscal year end, as compared to \$871 million, as restated, in the previous year.

Discretely Presented Component Units

The discretely presented proprietary fund component units account for a turnpike system, loans for improving water and sewer systems, higher education and housing assistance. These discretely presented component units all reported retained earnings at June 30, 2000, totaling \$2,082 million, which represents an increase of \$128 million from the \$1,954 million, of retained earnings reported the previous year.

The Public School Employes' Retirement System, a fiduciary type fund component unit, pension trust fund, reported a fund balance of \$53,422 million at June 30, 2000, which represents a \$4,447 million increase over the \$48,975 million fund balance in the previous fiscal year.

The total fund equity for the College and University funds, used to account for the State System of Higher Education, a discretely presented component unit, at June 30, 2000 was \$477 million, compared to \$450 million at June 30, 1999.

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, 2000 amounted to \$5,100 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 reported 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 Ernst & Young LLP. 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, 1999. This represents the fourteenth consecutive year the Commonwealth of Pennsylvania has received this award.

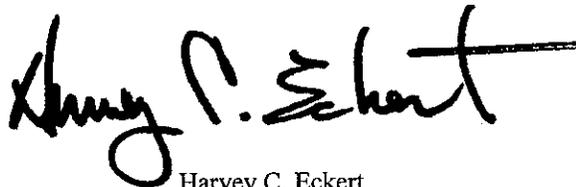
To merit a certificate of achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report which conforms to GFOA standards and satisfies both generally accepted accounting principles and applicable legal requirements. A certificate of achievement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

We believe the Comprehensive Annual Financial Report of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 2000 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.

ACKNOWLEDGMENTS

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, 1999

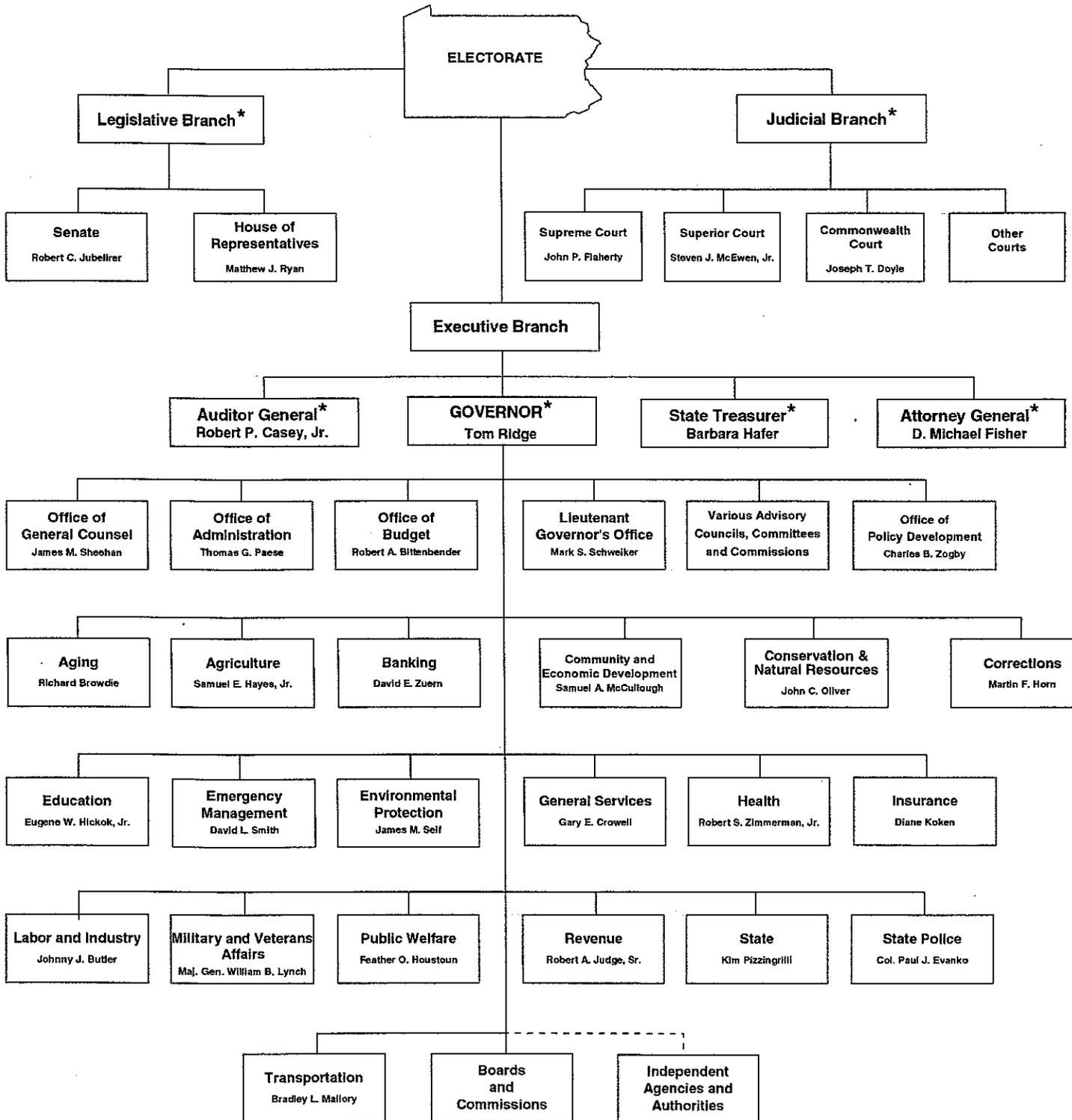
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public-employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



Anne Spray Kinsey
President

Jeffrey L. Esser
Executive Director

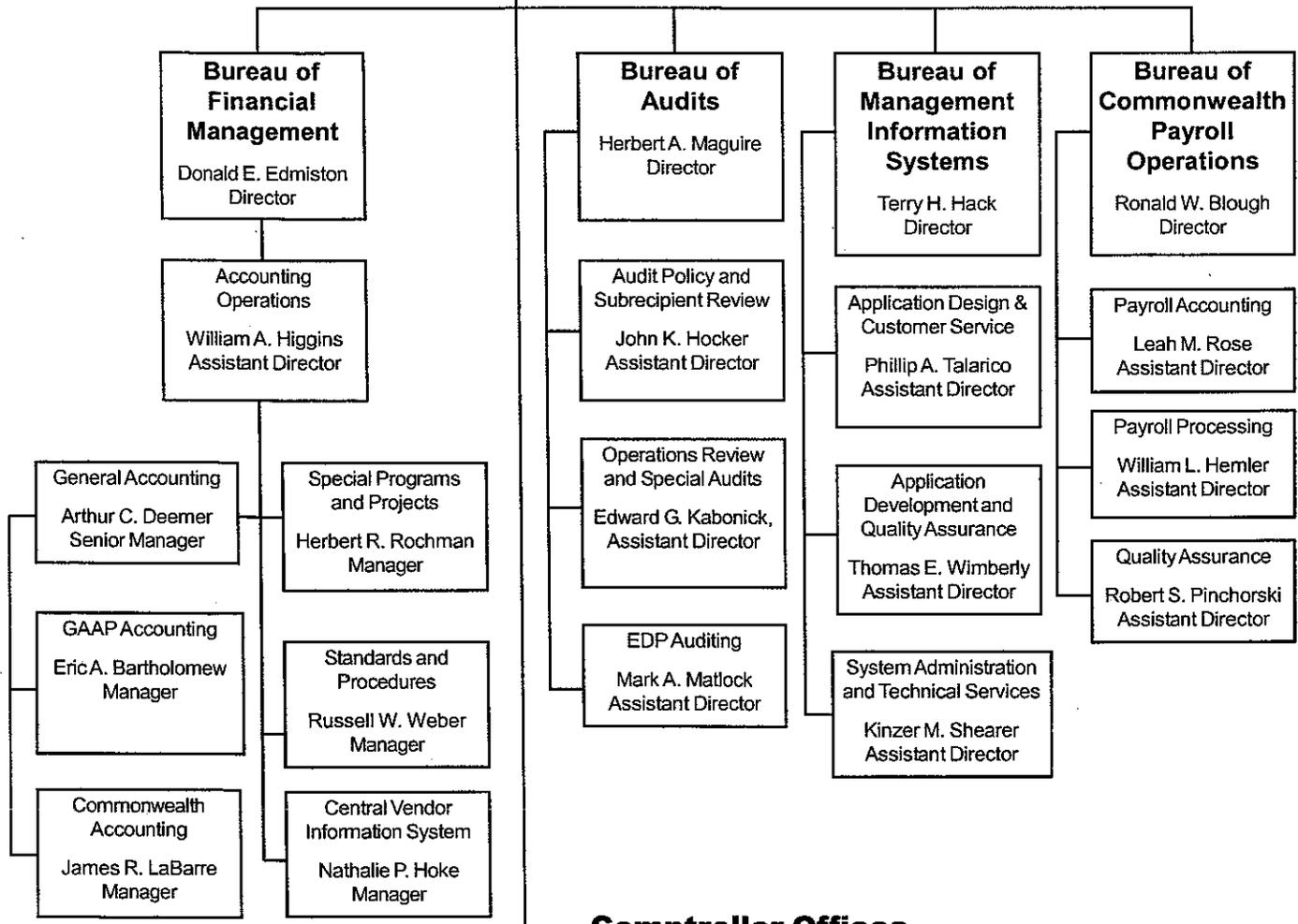
COMMONWEALTH OF PENNSYLVANIA
ORGANIZATION AND OFFICIALS CHART
JUNE 30, 2000



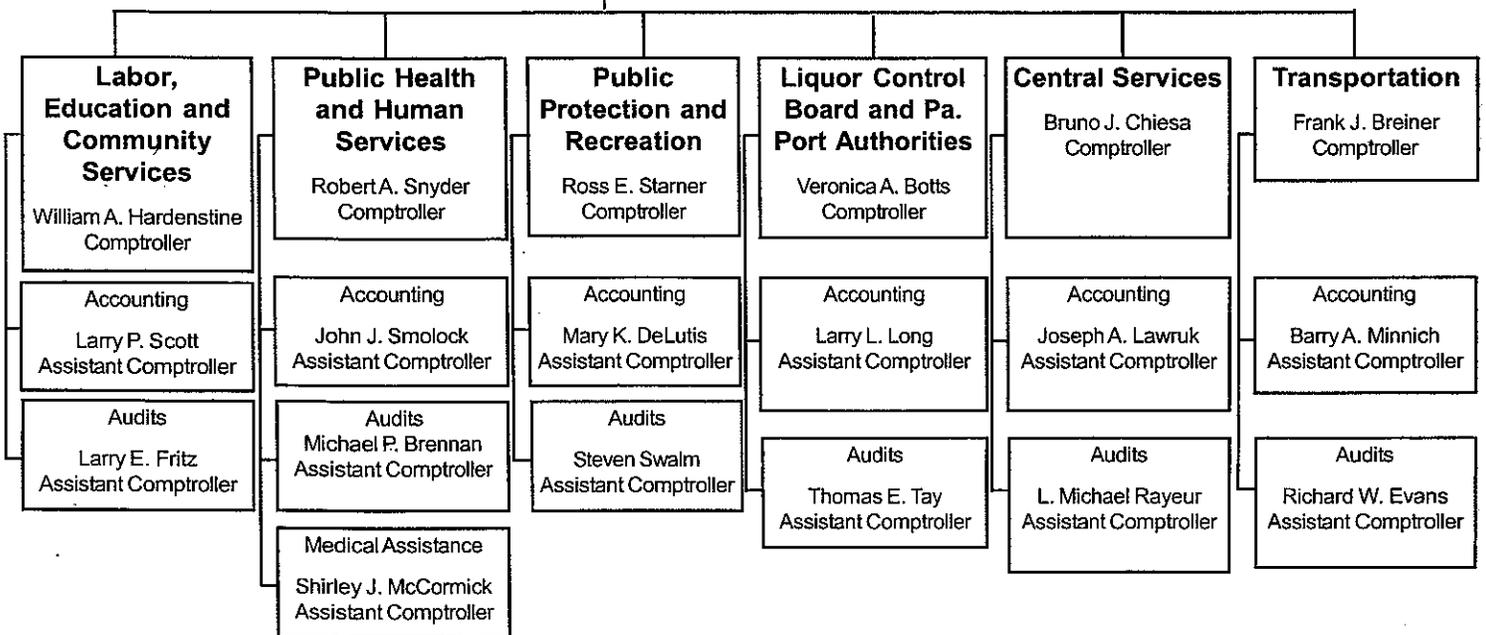
* Independently Elected

**Office of the Budget
Comptroller Operations
June 30, 2000**

**Deputy Secretary For
Comptroller Operations
Harvey C. Eckert**



Comptroller Offices



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Financial Section



Commonwealth of Pennsylvania



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

ERNST & YOUNG LLP

■ **Central Pennsylvania Practice**
Commerce Court, Suite 200
2601 Market Place
Harrisburg, PA 17110-9359

Independent Auditors' Report

The Honorable Tom Ridge, 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, 2000, 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 80 percent of total assets of the Trust and Agency Funds, 100 percent of the revenues of the Pension Trust Fund, and 100 percent of the discretely presented component units. We also did not jointly audit the financial statements of one enterprise fund which represents 2 percent of total assets of the enterprise funds. The financial statements of these component units and enterprise fund were audited by other auditors, including Ernst & Young LLP 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, is based solely on the reports of the other auditors. Ernst & Young LLP has audited separately 4 percent of total assets and 7 percent of total revenues of the discretely presented component units.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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.

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, 2000, and the results of its operations and the cash

flows of its proprietary fund types for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States.

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.

Robert P. Casey, Jr.

Ernst + Young LLP

November 3, 2000

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General Purpose Financial Statements



Commonwealth of Pennsylvania

COMBINED BALANCE SHEET
All Fund Types, Account Groups and Discretely Presented Component Units

June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
 (Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type		Account Groups		Total Memorandum (Memorandum Only) Primary Government		Total (Memorandum Only) Reporting Entity
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations			Component Units	
ASSETS AND OTHER DEBITS													
Assets:													
Cash—Note D.....	\$ 66,406	\$ 21,201	\$ 9,928	\$ 517,714	\$ 14,797	\$ 404	\$ 15,064	\$ -	\$ -	\$ 117,885	\$ 141,075	\$ 258,960	
Cash with fiscal agents—Note D.....	-	-	9,928	-	500	-	2,937,961	-	-	2,948,389	2,120	2,950,509	
Temporary investments—Note D.....	5,202,518	2,082,517	399,789	517,714	939,522	27,965	3,142,416	-	-	12,312,441	4,273,952	16,586,393	
Long-term investments—Note D.....	-	14,705	-	-	1,342,404	-	30,417,591	-	-	31,774,700	56,852,802	88,627,502	
Receivables, net:													
Taxes—Note G.....	1,027,089	172,433	-	-	-	-	296,806	-	-	1,496,328	-	1,496,328	
Accounts.....	44,928	16,021	7,078	-	9,776	6	175,864	-	-	253,673	50,485	304,158	
Accrued interest.....	28,013	12,041	277	2,447	19,284	196	108,301	-	-	170,559	101,267	271,826	
Notes and loans—Note G.....	-	68,834	-	-	199,046	-	5,887	-	-	273,767	7,007,902	7,281,669	
Lease rentals—Note G.....	-	-	2,317	-	-	-	-	-	-	2,317	3,886,482	3,888,799	
Pension contributions.....	-	-	-	-	-	-	-	-	-	-	242,446	242,446	
Investment proceeds.....	-	-	-	-	-	-	79,104	-	-	79,104	1,077,643	1,156,747	
Other.....	16,031	6,255	-	-	17	233	1,390	-	-	23,926	376,273	400,199	
Due from other funds—Note H.....	109,598	41,726	42	8,228	3,349	22,410	49,710	-	-	235,063	209,378	444,441	
Due from primary government—Note H.....	-	-	-	-	-	-	-	-	-	-	7,924	7,924	
Due from component units—Note H.....	4,085	10	25,822	-	-	1,876	4,803	-	-	36,596	166	36,762	
Due from other governments—Note B.....	1,209,506	155,696	-	-	-	250	22,740	-	-	1,388,192	20,555	1,408,747	
Advances to other funds—Note H.....	20,808	3,000	-	-	-	-	-	-	-	23,808	-	23,808	
Inventory.....	-	-	-	-	-	-	-	-	-	145,542	11,100	156,642	
Fixed assets—Note E.....	-	-	-	-	132,724	12,818	-	-	-	5,283,408	5,434,245	10,717,653	
Less: accumulated depreciation.....	-	-	-	-	(67,437)	(46,841)	-	-	-	(114,278)	(2,353,282)	(2,467,560)	
Other assets.....	-	-	-	-	702	22	450,188	-	-	450,912	175,625	626,537	
Other Debits:													
Amounts available in Commonwealth Funds for:													
Retirement of general obligation bonds.....	-	-	-	-	-	-	-	409,762	-	409,762	98,371	409,762	
Retirement of other bonds.....	-	-	-	-	-	-	-	-	-	-	-	98,371	
Other general long-term obligations.....	-	-	-	-	-	-	-	-	4,035	4,035	-	4,035	
Amounts to be provided for the retirement of:													
General obligation bonds.....	-	-	-	-	-	-	-	-	-	4,956,859	3,868,296	4,956,859	
Other bonds.....	-	-	-	-	-	-	-	-	-	-	242	3,868,296	
Other general long-term obligations.....	-	-	-	-	-	-	-	-	2,420,536	2,420,536	-	2,420,778	
TOTAL ASSETS AND OTHER DEBITS	\$ 7,728,982	\$ 2,594,439	\$ 445,259	\$ 528,396	\$ 2,687,770	\$ 110,154	\$ 37,707,825	\$ 5,099,507	\$ 7,791,192	\$ 64,693,524	\$ 81,485,067	\$ 146,178,591	

(Continued)

- See notes to financial statements. -

COMBINED BALANCE SHEET

All Fund Types, Account Groups and Discretely Presented Component Units (continued)

June 30, 2000

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

LIABILITIES, EQUITY AND OTHER CREDITS

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Type		Account Groups			Total	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Primary Government	Component Units	Total (Memorandum Only) Reporting Entity		
Liabilities:														
Accounts payable and accrued liabilities.....	\$ 1,790,614	\$ 723,209	\$ -	\$ 91,103	\$ 107,220	\$ 22,747	\$ 186,740	\$ -	\$ -	\$ 2,921,633	\$ 507,298	\$ 3,428,931		
Investment purchases payable.....	671,656	1,106	-	-	170,351	-	790,110	-	-	790,110	2,149,729	2,939,839		
Tuition benefits payable.....	-	-	-	-	-	-	3,679	-	-	676,441	-	676,441		
Matured debt principal and interest payable.....	-	-	9,928	-	-	-	-	-	-	170,351	-	170,351		
Reverse repurchase agreement obligations.....	204,654	61,258	15,725	20,338	5,668	-	-	-	-	307,643	-	307,643		
Securities lending agreement obligations.....	-	2,363	-	-	480,558	-	1,475,619	-	-	1,958,540	2,682,871	4,641,411		
Due to other funds—Note H.....	85,834	38,168	15	33	86,396	380	31,447	-	-	242,273	209,378	451,651		
Due to primary government—Note H.....	-	-	-	-	-	-	-	-	-	9,426	166	9,592		
Due to component units—Note H.....	581	8,845	-	-	-	-	-	-	-	1,053,500	273,980	1,329,480		
Due to other governments.....	669,299	49,399	-	99,490	469	59	236,784	-	-	94,728	3,982,029	4,076,757		
Deferred revenue.....	41,223	23,489	9,395	-	20,621	-	-	-	-	-	903,865	903,865		
Notes payable—Note J.....	-	-	-	-	-	-	-	-	-	-	1,046,000	1,046,000		
Demand revenue bonds payable—Note J.....	-	-	-	-	-	-	-	-	-	-	-	-		
Advances from other funds—Note H.....	1,480	9,508	487	-	5,256	9,000	1,293,808	-	-	23,764	1,184,061	2,483,503		
Other liabilities.....	-	-	-	-	3,667	-	-	-	-	1,137,459	-	1,137,459		
Insurance loss liability—Note F.....	-	-	-	-	1,137,459	-	-	-	5,366,621	-	-	5,366,621		
General obligation bonds payable—Note K.....	-	-	-	-	-	-	-	-	-	-	-	-		
Bonds payable—Note K.....	-	-	-	-	-	-	-	-	-	-	-	-		
Revenue bonds payable—Note K.....	-	-	-	-	-	-	-	-	-	-	-	-		
Bond anticipation notes payable.....	-	500	-	30,900	-	-	-	-	-	-	3,966,667	3,966,667		
Capital lease and other general long-term obligations—Note K.....	-	-	-	-	-	-	-	-	-	31,400	5,746,617	5,746,617		
TOTAL LIABILITIES.....	3,463,341	917,845	35,550	241,864	2,017,665	32,186	4,018,187	-	7,791,192	18,519,830	23,106,992	41,626,822		
Equity and Other Credits:														
Contributed capital—Note C.....	-	-	-	-	288,671	9,187	-	-	-	297,858	1,808,584	2,106,442		
Investment in fixed assets.....	-	-	-	-	-	-	-	5,099,507	-	5,099,507	326,475	5,425,982		
Retained earnings:														
Reserved—Note C.....	-	-	-	-	4,336	-	-	-	-	4,336	1,315,929	1,320,265		
Unreserved.....	-	-	-	-	377,098	68,781	-	-	-	445,879	765,944	1,211,823		
Fund balance:														
Reserved for:														
Encumbrances.....	397,827	325,083	-	907,931	-	-	4,304	-	-	1,635,145	53,402	1,688,547		
Advances—Note C.....	20,808	3,000	-	-	-	-	-	-	-	23,808	-	23,808		
Pension benefits.....	-	-	-	-	-	-	28,093,181	-	-	28,093,181	53,421,652	81,514,833		
Loans receivable.....	-	68,834	-	-	-	-	-	-	-	68,834	36,305	105,139		
Tax stabilization.....	1,104,954	-	-	-	-	-	-	-	-	1,104,954	-	1,104,954		
Deferred compensation.....	-	-	-	-	-	-	913,822	-	-	913,822	-	913,822		
Investment trust.....	-	-	-	-	-	-	979,748	-	-	979,748	-	979,748		
Endowment and similar funds.....	-	-	-	-	-	-	-	-	-	-	18,786	18,786		
Restricted fund balance.....	-	-	-	-	-	-	-	-	-	-	42,743	42,743		
Other—Note C.....	362,027	35,685	-	2,335	-	-	-	-	-	400,047	170,848	570,895		
Unreserved:														
Designated for:														
Capital projects.....	-	-	-	86,644	-	-	-	-	-	86,644	452,879	539,523		
Debt service:														
Retirement of general obligation bonds.....	-	-	409,762	-	-	-	-	-	-	409,762	98,371	508,133		
Highways.....	-	250,743	-	-	-	-	-	-	-	250,743	3,688	254,431		
Other—Note C.....	677,897	264	-	-	-	-	-	-	-	678,161	-	681,849		
Undesignated (deficit)—Note C.....	1,700,128	992,985	(53)	(710,378)	-	-	3,698,583	-	-	5,681,265	(137,531)	5,543,734		
TOTAL EQUITY AND OTHER CREDITS.....	4,263,641	1,676,594	409,709	286,532	670,105	77,968	33,689,638	5,099,507	-	46,173,694	58,378,075	104,551,769		
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS.....	\$ 7,728,982	\$ 2,594,439	\$ 445,259	\$ 528,396	\$ 2,687,770	\$ 110,154	\$ 37,707,825	\$ 5,099,507	\$ 7,791,192	\$ 64,693,524	\$ 81,485,067	\$ 146,178,591		

- See notes to financial statements. -

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

**All Governmental Fund Types, Expendable Trust Funds and
Discretely Presented Component Units**

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)	Component Units	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Primary Government		Reporting Entity
REVENUES:								
Taxes.....	\$ 19,046,032	\$ 1,862,684	\$ -	\$ 48,027	\$ 5,824	\$ 20,962,567	\$ -	\$ 20,962,567
Unemployment taxes.....	-	-	-	-	1,451,848	1,451,848	-	1,451,848
Licenses and fees.....	197,012	946,777	-	-	69,352	1,213,141	9,500	1,222,641
Intergovernmental.....	10,062,420	1,031,318	-	-	50,284	11,144,022	166,272	11,310,294
Charges for sales and services.....	2,226,531	213,872	-	48,793	-	2,489,196	1,862	2,491,058
Investment income.....	251,310	107,192	11,042	26,955	335,754	732,253	40,413	772,666
Lottery revenues.....	-	1,695,371	-	-	-	1,695,371	-	1,695,371
Lease rental principal and interest.....	-	-	1,827	-	-	1,827	281,472	283,299
Other.....	591,537	62,412	166	144	98,317	752,576	4,843	757,419
TOTAL REVENUES	32,374,842	5,919,626	13,035	123,919	2,011,379	40,442,801	504,362	40,947,163
EXPENDITURES:								
Current:								
General government.....	1,333,114	1,483,713	-	599	27,971	2,845,397	-	2,845,397
Protection of persons and property.....	2,912,289	19,393	-	1,930	40,332	2,973,944	9,813	2,983,757
Public health and welfare.....	15,645,577	840,965	-	-	1,437,222	17,923,764	-	17,923,764
Public education.....	8,281,804	1,340	-	-	-	8,283,144	2,867	8,286,011
Conservation of natural resources.....	134,511	330,734	-	45,487	-	510,732	-	510,732
Economic development and assistance.....	471,716	-	-	67,352	-	539,068	39,444	578,512
Transportation.....	399,412	3,157,403	-	122,373	-	3,679,188	-	3,679,188
Capital outlay.....	44,998	53,494	-	488,309	-	586,801	520,073	1,106,874
Debt service:								
Principal retirement.....	-	-	479,350	-	-	479,350	108,999	588,349
Interest and fiscal charges.....	-	116	276,411	517	20,329	297,373	194,422	491,795
TOTAL EXPENDITURES	29,223,421	5,887,158	755,761	726,567	1,525,854	38,118,761	875,618	38,994,379
REVENUES OVER (UNDER) EXPENDITURES	3,151,421	32,468	(742,726)	(602,648)	485,525	2,324,040	(371,256)	1,952,784
OTHER FINANCING SOURCES (USES):								
Bond proceeds.....	-	23,417	-	567,314	-	590,731	289,686	880,417
Refunding bond proceeds.....	-	-	-	-	-	-	13,665	13,665
Operating transfers in—Note H.....	78,723	448,190	755,588	90,000	-	1,372,501	213,013	1,585,514
Operating transfers out—Note H.....	(873,062)	(447,119)	-	-	-	(1,320,181)	(213,013)	(1,533,194)
Operating transfers from primary government—Note H.....	-	-	-	-	-	-	36,900	36,900
Operating transfers to component units—Note H.....	(833,976)	-	-	-	-	(833,976)	-	(833,976)
Payment to refunded bond escrow agent.....	-	-	-	-	-	-	(12,611)	(12,611)
Capital lease and installment purchase obligations.....	594	13,962	-	-	-	14,556	-	14,556
NET OTHER FINANCING SOURCES (USES)	(1,627,721)	38,450	755,588	657,314	-	(176,369)	327,640	151,271
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,523,700	70,918	12,862	54,666	485,525	2,147,671	(43,616)	2,104,055
FUND BALANCES, AS RESTATED, JULY 1, 1999 — NOTE C	2,863,420	1,659,661	396,847	231,866	4,131,184	9,282,978	632,786	9,915,764
RESIDUAL EQUITY TRANSFERS— NOTE H	(123,479)	(53,985)	-	-	-	(177,464)	-	(177,464)
FUND BALANCES JUNE 30, 2000	\$ 4,263,641	\$ 1,676,594	\$ 409,709	\$ 286,532	\$ 4,616,709	\$ 11,253,185	\$ 589,170	\$ 11,842,355

— 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, 2000

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.....	\$ 18,235,900	\$ 18,995,906	\$ 760,006	\$ 1,064,986	\$ 1,099,177	\$ 34,191
Lottery receipts.....	-	-	-	912,751	908,760	(3,991)
Liquor store profits transfer.....	50,000	50,000	-	-	-	-
Licenses and fees.....	77,800	86,765	8,965	784,783	821,620	36,837
Investment income.....	82,362	177,781	95,419	61,063	65,174	4,111
Unclaimed property, net of claim payments.....	29,438	37,402	7,964	-	-	-
Fines, penalties and interest.....	23,600	27,102	3,502	31,070	32,048	978
Departmental services.....	1,869,041	1,869,041	-	41,769	41,769	-
Miscellaneous.....	60,800	66,771	5,971	25,662	24,050	(1,612)
TOTAL STATE PROGRAMS.....	20,428,941	21,310,768	881,827	2,922,084	2,992,598	70,514
Federal Programs.....	10,888,738	9,968,759	(919,979)	863,648	695,987	(167,661)
TOTAL REVENUES.....	31,317,679	31,279,527	(38,152)	3,785,732	3,688,585	(97,147)
EXPENDITURES:						
State Programs:						
General government.....	1,157,539	1,151,067	6,472	362,445	343,654	18,791
Protection of persons and property.....	2,930,084	2,882,956	47,128	305,091	305,091	-
Public health and welfare.....	7,519,538	7,514,631	4,907	646,912	623,571	23,341
Public education.....	8,093,017	8,026,642	66,375	1,591	1,178	413
Conservation of natural resources.....	141,292	141,035	257	1,000	1,000	-
Debt service.....	628,164	627,817	347	99,453	99,453	-
Economic development and assistance.....	438,126	438,071	55	176	176	-
Transportation.....	387,607	382,123	5,484	1,546,786	1,546,221	565
TOTAL STATE PROGRAMS.....	21,295,367	21,164,342	131,025	2,963,454	2,920,344	43,110
Federal Programs.....	10,888,738	9,968,759	919,979	863,648	695,987	167,661
TOTAL EXPENDITURES.....	32,184,105	31,133,101	1,051,004	3,827,102	3,616,331	210,771
REVENUES OVER (UNDER) EXPENDITURES.....	(866,426)	146,426	1,012,852	(41,370)	72,254	113,624
OTHER FINANCING SOURCES (USES):						
Prior-year lapses.....	124,316	124,316	-	42,358	42,358	-
Transfer to Tax Stabilization Reserve Fund.....	-	(107,742)	(107,742)	-	-	-
Increase in budgeted revenues.....	881,827	-	(881,827)	-	-	-
NET OTHER FINANCING SOURCES.....	1,006,143	16,574	(989,569)	42,358	42,358	-
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES—NOTE M.....	139,717	163,000	23,283	988	114,612	113,624
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS)						
JULY 1, 1999.....	447,536	447,536	-	443,483	443,483	-
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS)						
JUNE 30, 2000.....	\$ 587,253	\$ 610,536	\$ 23,283	\$ 444,471	\$ 558,095	\$ 113,624

— See notes to financial statements. —

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS**
All Proprietary Fund Types and Discretely Presented Component Units

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
(Expressed in Thousands)

	Proprietary Fund Types		Total (Memorandum Only) Primary Government	Component Units	Total (Memorandum Only) Reporting Entity
	Enterprise	Internal Service			
OPERATING REVENUES:					
Sales and services.....	\$ 987,835	\$ 315,797	\$ 1,303,632	\$ 616,253	\$ 1,919,885
Investment income.....	54,414	-	54,414	97,675	152,089
Interest on notes and loans.....	6,309	-	6,309	393,969	400,278
Other.....	285	341	626	126,944	127,570
TOTAL OPERATING REVENUES.....	1,048,843	316,138	1,364,981	1,234,841	2,599,822
OPERATING EXPENSES:					
Cost of sales and services.....	926,809	305,301	1,232,110	815,272	2,047,382
Interest expense.....	21,655	-	21,655	357,005	378,660
Depreciation.....	5,480	9,912	15,392	153,326	168,718
Provision for uncollectible accounts.....	(4,795)	151	(4,644)	26,759	22,115
Other.....	582	-	582	113,519	114,101
TOTAL OPERATING EXPENSES.....	949,731	315,364	1,265,095	1,465,881	2,730,976
OPERATING INCOME (LOSS).....	99,112	774	99,886	(231,040)	(131,154)
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	9,102	1,634	10,736	37,626	48,362
Interest expense.....	-	-	-	(78,679)	(78,679)
Oil company franchise tax.....	-	-	-	42,143	42,143
Other revenues.....	584	150	734	5,910	6,644
Other expenses.....	(893)	(1,117)	(2,010)	(571)	(2,581)
NONOPERATING REVENUES, NET.....	8,793	667	9,460	6,429	15,889
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEMS....	107,905	1,441	109,346	(224,611)	(115,265)
OPERATING TRANSFERS:					
Operating transfers out—Note H.....	(52,320)	-	(52,320)	-	(52,320)
Operating transfers from primary government—Note H.....	-	-	-	353,218	353,218
OPERATING TRANSFERS, NET.....	(52,320)	-	(52,320)	353,218	300,898
INCOME BEFORE EXTRAORDINARY ITEMS.....	55,585	1,441	57,026	128,607	185,633
Extraordinary loss on early extinguishment of debt.....	-	-	-	(698)	(698)
NET INCOME.....	55,585	1,441	57,026	127,909	184,935
RETAINED EARNINGS, JULY 1, 1999.....	325,849	67,340	393,189	1,953,964	2,347,153
RETAINED EARNINGS, JUNE 30, 2000.....	\$ 381,434	\$ 68,781	\$ 450,215	\$ 2,081,873	\$ 2,532,088

— See notes to financial statements. —

COMBINED STATEMENT OF CASH FLOWS

All Proprietary Fund Types and Discretely Presented Component Units

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA (Expressed in Thousands)

	Proprietary Funds		Total (Memorandum Only)	Component	Total (Memorandum Only)
	Enterprise	Internal Service	Primary Government	Units	Reporting Entity
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ 99,112	\$ 774	\$ 99,886	\$ (231,040)	\$ (131,154)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation.....	5,480	9,912	15,392	153,326	168,718
Net amortization.....	-	-	-	2,393	2,393
Provision for uncollectible accounts.....	(4,795)	151	(4,644)	26,759	22,115
Nonoperating revenues.....	584	11	595	5,910	6,505
Nonoperating expenses.....	-	(97)	(97)	(500)	(597)
Reclassification of investment income.....	(54,414)	-	(54,414)	(97,675)	(152,089)
Changes in assets and liabilities:					
Receivables.....	(8,939)	(474)	(9,413)	(784,168)	(793,581)
Due from other funds.....	4,582	(9,056)	(4,474)	-	(4,474)
Due from primary government.....	-	-	-	(604)	(604)
Due from component units.....	-	(1,260)	(1,260)	(24)	(1,284)
Due from other governments.....	13	506	519	(14,358)	(13,839)
Inventory.....	(11,168)	314	(10,854)	599	(10,255)
Other current assets.....	3,417	(22)	3,395	184,950	188,345
Accounts payable and accrued liabilities.....	(3,084)	10,164	7,080	32,653	39,733
Due to other funds.....	64,045	(389)	63,656	-	63,656
Due to primary government.....	-	-	-	(2,475)	(2,475)
Due to component units.....	-	(4)	(4)	24	20
Due to other governments.....	-	9	9	16,999	17,008
Deferred revenue.....	(5,281)	(3)	(5,284)	30,672	25,388
Reverse repurchase agreement obligations.....	5,668	-	5,668	-	5,668
Insurance loss liability.....	(153,753)	-	(153,753)	-	(153,753)
Tuition benefits payable.....	40,267	-	40,267	-	40,267
Securities lending agreement obligations.....	73,855	-	73,855	-	73,855
Other current liabilities.....	(1,747)	-	(1,747)	16,572	14,825
TOTAL ADJUSTMENTS.....	(45,270)	9,762	(35,508)	(428,947)	(464,455)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	53,842	10,536	64,378	(659,987)	(595,609)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Borrowings (Repayments) under advances from other funds.....	(66,094)	9,000	(57,094)	-	(57,094)
Proceeds from issuance of debt obligations.....	-	-	-	1,176,722	1,176,722
Principal paid on debt obligations.....	-	-	-	(486,942)	(486,942)
Operating transfers from primary government.....	-	-	-	353,218	353,218
Operating transfers out.....	(52,320)	-	(52,320)	-	(52,320)
Increase in contributed capital.....	10,170	-	10,170	-	10,170
Decrease in contributed capital.....	(86)	-	(86)	-	(86)
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES.....	(108,330)	9,000	(99,330)	1,042,998	943,668
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal paid on debt obligations.....	-	-	-	(48,986)	(48,986)
Interest paid on debt obligations.....	-	-	-	(78,679)	(78,679)
Increases in contributed capital.....	27,000	-	27,000	158,883	185,883
Decreases in contributed capital.....	-	-	-	(2,211)	(2,211)
Acquisition and construction of capital assets.....	(9,454)	(13,811)	(23,265)	(473,188)	(496,453)
Proceeds from sale of capital assets.....	-	1,648	1,648	26,100	27,748
Oil company franchise tax.....	-	-	-	42,143	42,143
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES.....	17,546	(12,163)	5,383	(375,938)	(370,555)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments.....	(8,493,558)	(194,438)	(8,687,996)	(4,783,502)	(13,471,498)
Proceeds from sale and maturities of investments.....	8,406,577	185,489	8,592,066	4,648,440	13,240,506
Investment income.....	125,223	1,570	126,793	134,910	261,703
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES.....	38,242	(7,379)	30,863	(152)	30,711
NET INCREASE (DECREASE) IN CASH.....	1,300	(6)	1,294	6,921	8,215
CASH, JULY 1, 1999.....	13,997	410	14,407	82,608	97,015
CASH, JUNE 30, 2000.....	\$ 15,297	\$ 404	\$ 15,701	\$ 89,529	\$ 105,230

There were no material investing, capital or 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 PLAN NET ASSETS

Pension Trust Funds - Component Units

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
(Expressed in Thousands)

	Blended		Discretely Presented			
	State Employees' Retirement System (December 31, 1999) Pension	Public School Employees' Retirement System				Total
		Pension	Postemployment Healthcare		Total	
			Premium Assistance	Health Options Program		
ADDITIONS:						
Pension contributions:						
Employee.....	\$ 224,928	\$ 552,502	\$ -	\$ 127,538	\$ 680,040	
Employer.....	270,718	390,504	22,279	-	412,783	
Total contributions.....	495,646	943,006	22,279	127,538	1,092,823	
Investment income:						
Net appreciation (depreciation) in fair value of investments.....	2,676,745	4,129,291	(55)	-	4,129,236	
Interest, dividend, rental and other income.....	2,152,990	1,734,863	2,680	1,506	1,739,049	
Total investment activity income.....	4,829,735	5,864,154	2,625	1,506	5,868,285	
Investment expenses.....	(115,538)	(124,554)	(22)	-	(124,576)	
Net income from investing activities.....	4,714,197	5,739,600	2,603	1,506	5,743,709	
Securities lending activities:						
Income.....	54,530	161,416	-	-	161,416	
Expenses.....	(46,056)	(139,992)	-	-	(139,992)	
Net securities lending activities income.....	8,474	21,424	-	-	21,424	
Total net investment income.....	4,722,671	5,761,024	2,603	1,506	5,765,133	
TOTAL ADDITIONS	5,218,317	6,704,030	24,882	129,044	6,857,956	
DEDUCTIONS:						
Benefit payments.....	1,218,133	2,200,747	32,949	121,425	2,355,121	
Refunds of contributions.....	11,215	22,446	-	-	22,446	
Administrative expenses.....	19,146	25,837	1,024	2,472	29,333	
Net account transfers.....	-	4,710	-	-	4,710	
TOTAL DEDUCTIONS	1,248,494	2,253,740	33,973	123,897	2,411,610	
NET INCREASE (DECREASE)	3,969,823	4,450,290	(9,091)	5,147	4,446,346	
Fund balance reserved for pension and postemployment healthcare benefits:						
JULY 1, 1999	24,123,358	48,911,432	60,319	3,555	48,975,306	
JUNE 30, 2000	\$ 28,093,181	\$ 53,361,722	\$ 51,228	\$ 8,702	\$ 53,421,652	

— See notes to financial statements. —

STATEMENT OF CHANGES IN PLAN NET ASSETS
Investment Trust Fund

For the Year Ended December 31, 1999

COMMONWEALTH OF PENNSYLVANIA
 (Expressed in Thousands)

	INVEST Program For Local Governments
Investment income.....	\$ 47,194
Less: participant administrative expenses.....	<u>536</u>
Net increase in net assets resulting from operations	<u>46,658</u>
Net investment income distributions to participants.....	<u>(46,658)</u>
Share transactions (at net asset value of \$1.00 per share):	
Shares purchased.....	2,618,690
Shares issued in lieu of cash distributions.....	38,807
Shares redeemed.....	<u>(2,548,604)</u>
Net increase in net assets from share transactions.....	<u>108,893</u>
Net increase in net assets.....	108,893
FUND BALANCE, AS RESTATED, JANUARY 1, 1999 — NOTE C.....	<u>870,855</u>
FUND BALANCE, DECEMBER 31, 1999.....	<u>\$ 979,748</u>

— See notes to financial statements. —

COMBINED BALANCE SHEET
Discretely Presented Component Units

June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
(Expressed in Thousands)

	Governmental Funds	Proprietary Funds	Fiduciary Funds	College and University Funds	Total (Memorandum Only) Component Units
ASSETS AND OTHER DEBITS					
Assets:					
Cash—Note D.....	\$ 2,322	\$ 87,663	\$ 4,046	\$ 47,044	\$ 141,075
Cash with fiscal agents—Note D.....	254	1,866	-	-	2,120
Temporary investments—Note D.....	295,648	1,747,336	1,978,823	252,145	4,273,952
Long-term investments—Note D.....	321,104	1,042,130	55,086,797	402,771	56,852,802
Receivables, net:					
Accounts.....	142	18,399	200	31,744	50,485
Accrued interest.....	7,070	94,197	-	-	101,267
Notes and loans—Note G.....	930	6,973,563	-	33,409	7,007,902
Lease rental—Note G.....	3,869,974	16,508	-	-	3,886,482
Pension contributions.....	-	-	242,446	-	242,446
Investment proceeds.....	-	-	1,077,643	-	1,077,643
Other.....	-	11,129	362,939	2,205	376,273
Due from other funds—Note H.....	2,185	-	-	207,193	209,378
Due from primary government—Note H.....	-	6,951	973	-	7,924
Due from component units—Note H.....	-	166	-	-	166
Due from other governments—Note B.....	3,828	16,709	18	-	20,555
Inventory.....	-	6,316	-	4,784	11,100
Fixed assets—Note E.....	-	4,368,216	18,806	1,047,223	5,434,245
Less: accumulated depreciation.....	-	(1,998,419)	(13,648)	(341,215)	(2,353,282)
Other assets.....	2,075	132,931	258	40,361	175,625
Other Debits:					
Amounts available for retirement of other bonds.....	98,371	-	-	-	98,371
Amounts to be provided for the retirement of:					
Other bonds.....	3,868,296	-	-	-	3,868,296
Other general long-term obligations.....	242	-	-	-	242
TOTAL ASSETS AND OTHER DEBITS	\$ 8,472,441	\$ 12,525,661	\$ 58,759,301	\$ 1,727,664	\$ 81,485,067
LIABILITIES, EQUITY AND OTHER CREDITS					
Liabilities:					
Accounts payable and accrued liabilities.....	\$ 4,582	\$ 255,421	\$ 123,188	\$ 124,107	\$ 507,298
Investment purchases payable.....	-	-	2,149,729	-	2,149,729
Securities lending agreement obligations.....	-	-	2,682,871	-	2,682,871
Due to other funds—Note H.....	2,185	-	-	207,193	209,378
Due to primary government—Note H.....	-	30,055	1,880	4,469	36,404
Due to component units—Note H.....	-	166	-	-	166
Due to other governments.....	-	273,980	-	-	273,980
Deferred revenue.....	3,906,591	31,270	1,056	43,112	3,982,029
Notes payable—Note J.....	2,842	901,023	-	-	903,865
Demand revenue bonds payable—Note J.....	-	1,046,000	-	-	1,046,000
Other liabilities.....	162	350,672	378,925	454,302	1,184,061
Bonds payable—Note K.....	3,966,667	-	-	-	3,966,667
Revenue bonds payable—Note K.....	-	5,746,617	-	-	5,746,617
Capital lease and other general long-term obligations—Note K.....	242	-	-	417,685	417,927
TOTAL LIABILITIES	7,883,271	8,635,204	5,337,649	1,250,868	23,106,992
Equity and Other Credits:					
Contributed capital—Note C.....	-	1,808,584	-	-	1,808,584
Investment in fixed assets.....	-	-	-	326,475	326,475
Retained earnings:					
Reserved—Note C.....	-	1,315,929	-	-	1,315,929
Unreserved.....	-	765,944	-	-	765,944
Fund balance:					
Reserved for:					
Encumbrances.....	2,357	-	-	51,045	53,402
Pension benefits.....	-	-	53,421,652	-	53,421,652
Loans receivable.....	-	-	-	36,305	36,305
Endowment and similar funds.....	-	-	-	18,786	18,786
Restricted fund balance.....	2,713	-	-	40,030	42,743
Other—Note C.....	4,927	-	-	165,921	170,848
Unreserved:					
Designated for:					
Capital projects.....	452,879	-	-	-	452,879
Debt service:					
Retirement of other bonds.....	98,371	-	-	-	98,371
Other—Note C.....	3,688	-	-	-	3,688
Undesignated (deficit)—Note C.....	24,235	-	-	(161,766)	(137,531)
TOTAL EQUITY AND OTHER CREDITS	589,170	3,890,457	53,421,652	476,796	58,378,075
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 8,472,441	\$ 12,525,661	\$ 58,759,301	\$ 1,727,664	\$ 81,485,067

— See notes to financial statements. —

COMBINING BALANCE SHEET
Governmental Funds - Discretely Presented Component Units

June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
 (Expressed in Thousands)

	State Public School Building Authority	Philadelphia Shipyards Development Corporation (December 31, 1999)	Ben Franklin/ IRC Partnership	Insurance Fraud Prevention Authority	Pennsylvania Higher Educational Facilities Authority	Total
ASSETS AND OTHER DEBITS						
Assets:						
Cash—Note D.....	\$ 689	\$ -	\$ 1	\$ -	\$ 1,632	\$ 2,322
Cash with fiscal agents.....	-	-	-	254	-	254
Temporary investments—Note D.....	99,527	35,339	5,094	1,948	153,740	295,648
Long-term investments—Note D.....	33,947	-	-	-	287,157	321,104
Receivables, net:						
Accounts.....	23	-	-	119	-	142
Accrued interest.....	1,160	868	34	-	5,008	7,070
Notes and loans—Note G.....	930	-	-	-	-	930
Lease rental—Note G.....	431,908	-	-	-	3,438,066	3,869,974
Due from other funds—Note H.....	-	2,185	-	-	-	2,185
Due from other governments.....	-	3,717	-	111	-	3,828
Other assets.....	-	-	-	2,075	-	2,075
Other Debits:						
Amounts available for retirement of other bonds.....	897	-	-	-	97,474	98,371
Amounts to be provided for the retirement of:						
Other bonds.....	432,856	-	-	-	3,435,440	3,868,296
Other general long-term obligations.....	242	-	-	-	-	242
TOTAL ASSETS AND OTHER DEBITS	\$ 1,002,179	\$ 42,109	\$ 5,129	\$ 4,507	\$ 7,418,517	\$ 8,472,441
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities.....	\$ 680	\$ 2,053	\$ 1,104	\$ 466	\$ 279	\$ 4,582
Due to other funds.....	-	2,185	-	-	-	2,185
Deferred revenue.....	431,908	36,598	19	-	3,438,066	3,906,591
Notes payable.....	2,842	-	-	-	-	2,842
Other liabilities.....	162	-	-	-	-	162
Bonds payable—Note K.....	433,753	-	-	-	3,532,914	3,966,667
Capital lease and other general long-term obligations.....	242	-	-	-	-	242
TOTAL LIABILITIES	869,587	40,836	1,123	466	6,971,259	7,883,271
Fund Balance:						
Reserved for:						
Encumbrances.....	-	-	2,357	-	-	2,357
Restricted fund balance.....	2,713	-	-	-	-	2,713
Other—Note C.....	-	-	-	-	4,927	4,927
Unreserved:						
Designated for:						
Capital projects.....	106,749	1,273	-	-	344,857	452,879
Debt service:						
Retirement of other bonds.....	897	-	-	-	97,474	98,371
Other—Note C.....	-	-	-	3,688	-	3,688
Undesignated.....	22,233	-	1,649	353	-	24,235
TOTAL FUND BALANCES	132,592	1,273	4,006	4,041	447,258	589,170
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,002,179	\$ 42,109	\$ 5,129	\$ 4,507	\$ 7,418,517	\$ 8,472,441

— See notes to financial statements. —

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Governmental Funds - Discretely Presented Component Units**

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA (Expressed in Thousands)						
	State Public School Building Authority	Philadelphia Shipyards Development Corporation (December 31, 1999)	Ben Franklin/ IRC Partnership	Insurance Fraud Prevention Authority	Pennsylvania Higher Educational Facilities Authority	Total
REVENUES:						
Licenses and fees.....	\$ -	\$ -	\$ -	\$ 9,500	\$ -	\$ 9,500
Intergovernmental.....	-	165,933	339	-	-	166,272
Charges for sales and services.....	1,008	-	-	-	854	1,862
Investment income.....	6,442	2,228	794	384	30,565	40,413
Lease rental principal and interest.....	39,738	-	-	-	241,734	281,472
Other.....	879	1,151	-	190	2,623	4,843
TOTAL REVENUES	48,067	169,312	1,133	10,074	275,776	504,362
EXPENDITURES:						
Protection of persons and property.....	-	-	-	9,813	-	9,813
Public education.....	1,859	-	-	-	1,008	2,867
Economic development and assistance.....	-	-	39,444	-	-	39,444
Capital outlay.....	59,333	167,762	-	-	292,978	520,073
Debt service:						
Principal retirement.....	25,316	-	-	-	83,683	108,999
Interest and fiscal charges.....	16,223	-	-	-	178,199	194,422
TOTAL EXPENDITURES	102,731	167,762	39,444	9,813	555,868	875,618
REVENUES OVER/(UNDER) EXPENDITURES	(54,664)	1,550	(38,311)	261	(280,092)	(371,256)
OTHER FINANCING SOURCES (USES):						
Bond proceeds.....	100,538	-	-	-	189,148	289,686
Refunding bond proceeds.....	9,996	-	-	-	3,669	13,665
Operating transfers in—Note H.....	45,575	-	-	-	167,438	213,013
Operating transfers out—Note H.....	(45,575)	-	-	-	(167,438)	(213,013)
Operating transfer from primary government—Note H.....	-	-	36,900	-	-	36,900
Payment to refunded bond escrow agent.....	(9,996)	-	-	-	(2,615)	(12,611)
NET OTHER FINANCING SOURCES	100,538	-	36,900	-	190,202	327,640
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	45,874	1,550	(1,411)	261	(89,890)	(43,616)
FUND BALANCES, AS RESTATED, JULY 1, 1999 — NOTE C	86,718	(277)	5,417	3,780	537,148	632,786
FUND BALANCES, JUNE 30, 2000	\$ 132,592	\$ 1,273	\$ 4,006	\$ 4,041	\$ 447,258	\$ 589,170

— See notes to financial statements. —

COMBINING BALANCE SHEET
Proprietary Funds - Discretely Presented Component Units

June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
 (Expressed in Thousands)

	Pennsylvania Turnpike- Commission (May 31, 2000)	Pennsylvania Industrial Development Authority	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	Total
ASSETS						
Cash—Note D.....	\$ 75,644	\$ 1	\$ 10,689	\$ 1,321	\$ 8	\$ 87,663
Cash with fiscal agents—Note D.....	-	1,078	-	165	623	1,866
Temporary investments—Note D.....	97,711	211,900	429,763	686,203	321,759	1,747,336
Long-term investments—Note D.....	565,364	40,536	409,823	26,407	-	1,042,130
Receivables, net:						
Accounts.....	6,816	-	-	11,583	-	18,399
Accrued interest.....	13,036	3,522	-	74,483	3,156	94,197
Notes and loans—Note G.....	-	588,241	2,853,032	2,403,527	1,128,763	6,973,563
Lease rentals—Note G.....	-	16,508	-	-	-	16,508
Other.....	11,129	-	-	-	-	11,129
Due from primary government—Note H.....	6,451	500	-	-	-	6,951
Due from component units—Note H.....	-	-	92	-	74	166
Due from other governments—Note B.....	-	-	-	16,621	88	16,709
Inventory.....	6,316	-	-	-	-	6,316
Fixed assets—Note E.....	4,236,535	-	8,697	122,556	428	4,368,216
Less: accumulated depreciation.....	(1,948,740)	-	(3,306)	(46,081)	(292)	(1,998,419)
Other assets.....	17,228	10,281	15,575	72,205	17,642	132,931
TOTAL ASSETS	\$ 3,087,490	\$ 872,567	\$ 3,724,365	\$ 3,368,990	\$ 1,472,249	\$ 12,525,661
LIABILITIES AND EQUITY						
Liabilities:						
Accounts payable and accrued liabilities.....	\$ 120,966	\$ 452	\$ 51,637	\$ 78,375	\$ 3,991	\$ 255,421
Due to primary government—Note H.....	3,987	-	13	44	26,011	30,055
Due to component units—Note H.....	-	-	74	-	92	166
Due to other governments.....	-	-	-	273,976	4	273,980
Deferred revenue.....	-	79	-	31,191	-	31,270
Notes payable—Note J.....	-	-	6,129	894,894	-	901,023
Demand revenue bonds payable—Note J.....	-	-	-	1,046,000	-	1,046,000
Other liabilities.....	23,657	10,393	264,692	51,930	-	350,672
Revenue bonds payable—Note K.....	1,509,099	355,324	2,872,116	834,405	175,673	5,746,617
TOTAL LIABILITIES	1,657,709	366,248	3,194,661	3,210,815	205,771	8,635,204
Equity:						
Contributed capital—Note C.....	290,272	347,840	1,960	-	1,168,512	1,808,584
Retained earnings:						
Reserved—Note C.....	1,139,509	-	110,118	66,302	-	1,315,929
Unreserved.....	-	158,479	417,626	91,873	97,966	765,944
TOTAL EQUITY	1,429,781	506,319	529,704	158,175	1,266,478	3,890,457
TOTAL LIABILITIES AND EQUITY	\$ 3,087,490	\$ 872,567	\$ 3,724,365	\$ 3,368,990	\$ 1,472,249	\$ 12,525,661

— See notes to financial statements. —

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

Proprietary Funds - Discretely Presented Component Units *For the Fiscal Year Ended June 30, 2000*

COMMONWEALTH OF PENNSYLVANIA (Expressed in Thousands)						
	Pennsylvania Turnpike Commission (May 31, 2000)	Pennsylvania Industrial Development Authority	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	Total
OPERATING REVENUES:						
Sales and services.....	\$ 367,336	\$ -	\$ 20,993	\$ 220,740	\$ 7,184	\$ 616,253
Investment income.....	-	12,957	40,200	28,381	16,137	97,675
Interest on notes and loans.....	-	20,702	189,593	164,498	19,176	393,969
Other.....	11,623	926	114,143	252	-	126,944
TOTAL OPERATING REVENUES.....	378,959	34,585	364,929	413,871	42,497	1,234,841
OPERATING EXPENSES:						
Cost of sales and services.....	180,671	3,276	20,303	604,621	6,401	815,272
Interest expense.....	-	20,616	179,726	144,867	11,796	357,005
Depreciation.....	139,962	-	325	12,990	49	153,326
Provision for uncollectible accounts.....	-	1,640	23,406	-	1,713	26,759
Other.....	-	-	113,519	-	-	113,519
TOTAL OPERATING EXPENSES.....	320,633	25,532	337,279	762,478	19,959	1,465,881
OPERATING INCOME (LOSS).....	58,326	9,053	27,650	(348,607)	22,538	(231,040)
NONOPERATING REVENUES (EXPENSES):						
Investment income.....	37,626	-	-	-	-	37,626
Interest expense.....	(78,679)	-	-	-	-	(78,679)
Oil company franchise tax.....	42,143	-	-	-	-	42,143
Other revenue.....	-	-	-	5,910	-	5,910
Other expenses.....	-	-	(571)	-	-	(571)
NONOPERATING REVENUES (EXPENSES), NET.....	1,090	-	(571)	5,910	-	6,429
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEMS.....	59,416	9,053	27,079	(342,697)	22,538	(224,611)
OPERATING TRANSFERS:						
Operating transfers from primary government— Note H.....	-	-	-	353,218	-	353,218
INCOME BEFORE EXTRAORDINARY ITEMS.....	59,416	9,053	27,079	10,521	22,538	128,607
Extraordinary loss on early extinguishment of debt.....	-	-	(698)	-	-	(698)
NET INCOME.....	59,416	9,053	26,381	10,521	22,538	127,909
RETAINED EARNINGS, JULY 1, 1999.....	1,080,093	149,426	501,363	147,654	75,428	1,953,964
RETAINED EARNINGS, JUNE 30, 2000.....	\$ 1,139,509	\$ 158,479	\$ 527,744	\$ 158,175	\$ 97,966	\$ 2,081,873

— See notes to financial statements. —

COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds - Discretely Presented Component Units

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA (Expressed in Thousands)						
	Pennsylvania Turnpike Commission (May 31, 2000)	Pennsylvania Industrial Development Authority	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating income (loss).....	\$ 58,326	\$ 9,053	\$ 27,650	\$ (348,607)	\$ 22,538	\$ (231,040)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation.....	139,962	-	325	12,990	49	153,326
Net amortization.....	2,393	-	-	-	-	2,393
Provision for uncollectible accounts.....	-	1,640	23,406	-	1,713	26,759
Nonoperating revenues.....	-	-	-	5,910	-	5,910
Nonoperating expenses.....	-	-	(500)	-	-	(500)
Reclassification of investment income.....	-	(12,957)	(40,200)	(28,381)	(16,137)	(97,675)
Changes in assets and liabilities:						
Receivables.....	(4,732)	10,609	(172,887)	(577,735)	(39,423)	(784,168)
Due from primary government.....	(104)	(500)	-	-	-	(604)
Due from component units.....	-	-	(47)	-	23	(24)
Due from other governments.....	-	-	-	(14,311)	(47)	(14,358)
Inventory.....	599	-	-	-	-	599
Other current assets.....	3,573	40	(1,849)	182,696	490	184,950
Accounts payable and accrued liabilities.....	20,706	85	501	11,927	(566)	32,653
Due to primary government.....	(621)	-	(3)	(46)	(1,805)	(2,475)
Due to component units.....	-	-	(23)	-	47	24
Due to other governments.....	-	-	-	17,000	(1)	16,999
Deferred revenue.....	-	79	-	30,593	-	30,672
Other current liabilities.....	6,218	(383)	11,837	(1,100)	-	16,572
TOTAL ADJUSTMENTS.....	167,994	(1,387)	(179,440)	(360,457)	(55,657)	(428,947)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	226,320	7,666	(151,790)	(709,064)	(33,119)	(659,987)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Proceeds from issuance of debt obligations.....	-	-	540,867	635,855	-	1,176,722
Principal paid on debt obligations.....	-	(22,729)	(389,522)	(74,691)	-	(486,942)
Operating transfers from primary government.....	-	-	-	353,218	-	353,218
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES.....	-	(22,729)	151,345	914,382	-	1,042,998
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Principal paid on debt obligations.....	(36,775)	-	-	-	(12,211)	(48,986)
Interest paid on debt obligations.....	(78,679)	-	-	-	-	(78,679)
Increase in contributed capital.....	42,792	20,000	-	-	96,091	158,883
Decrease in contributed capital.....	-	-	-	-	(2,211)	(2,211)
Acquisition and construction of capital assets.....	(458,456)	-	(1,389)	(13,306)	(37)	(473,188)
Proceeds from sale of capital assets.....	-	-	-	26,100	-	26,100
Oil company franchise tax.....	42,143	-	-	-	-	42,143
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES.....	(488,975)	20,000	(1,389)	12,794	81,632	(375,938)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of investments.....	(318,901)	(30,549)	(252,901)	(4,033,469)	(147,682)	(4,783,502)
Proceeds from sale and maturities of investments.....	557,479	13,734	222,348	3,777,544	77,335	4,648,440
Investment income.....	37,626	12,957	40,200	28,381	15,746	134,910
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES.....	276,204	(3,858)	9,647	(227,544)	(54,601)	(152)
NET INCREASE (DECREASE) IN CASH.....	13,549	1,079	7,813	(9,432)	(6,088)	6,921
CASH, JULY 1, 1999.....	62,095	-	2,876	10,918	6,719	82,608
CASH, JUNE 30, 2000.....	\$ 75,644	\$ 1,079	\$ 10,689	\$ 1,486	\$ 631	\$ 89,529

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

— See notes to financial statements. —

COMBINING BALANCE SHEET

Trust and Agency Funds - Discretely Presented Component Units

June 30, 2000

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Pension		Agency Funds		Total
	Trust Fund		Pennsylvania	Pennsylvania	
	Public School		Life and Health	Property and	
	Employees'		Insurance	Casualty Insurance	
	Retirement		Guaranty	Guaranty	
	System		Association	Association	
			(December 31, 1999)	(December 31, 1999)	
ASSETS					
Cash—Note D.....	\$ -	\$	1,493	\$ 2,553	\$ 4,046
Temporary investments—Note D.....	1,716,438		214,411	47,974	1,978,823
Long-term investments—Note D.....	55,086,797		-	-	55,086,797
Receivables, net:					
Accounts.....	-		-	200	200
Pension contributions.....	242,446		-	-	242,446
Investment proceeds.....	1,077,643		-	-	1,077,643
Other.....	249,847		-	113,092	362,939
Due from primary government—Note H.....	973		-	-	973
Due from other governments—Note H.....	18		-	-	18
Fixed assets—Note E.....	18,806		-	-	18,806
Less: accumulated depreciation.....	(13,648)		-	-	(13,648)
Other assets.....	-		-	258	258
TOTAL ASSETS	\$ 58,379,320	\$	215,904	\$ 164,077	\$ 58,759,301
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable and accrued liabilities.....	\$ 123,188	\$	-	\$ -	\$ 123,188
Investment purchases payable.....	2,149,729		-	-	2,149,729
Securities lending agreement obligations.....	2,682,871		-	-	2,682,871
Due to primary government—Note H.....	1,880		-	-	1,880
Deferred revenue.....	-		-	1,056	1,056
Other liabilities.....	-		215,904	163,021	378,925
TOTAL LIABILITIES	4,957,668		215,904	164,077	5,337,649
Fund Balance:					
Reserved for:					
Pension and postemployment healthcare benefits.....	53,421,652		-	-	53,421,652
TOTAL FUND BALANCE	53,421,652		-	-	53,421,652
TOTAL LIABILITIES AND FUND BALANCE	\$ 58,379,320	\$	215,904	\$ 164,077	\$ 58,759,301

— See notes to financial statements. —

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Agency Funds - Discretely Presented Component Units *For the Fiscal Year Ended December 31, 1999*

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Balance January 1, 1999	Additions	Deductions	Balance December 31, 1999
PENNSYLVANIA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION				
ASSETS				
Cash.....	\$ 1,446	\$ 45,566	\$ 45,519	\$ 1,493
Temporary investments.....	187,889	125,364	98,842	214,411
TOTAL ASSETS	\$ 189,335	\$ 170,930	\$ 144,361	\$ 215,904
LIABILITIES				
Other liabilities.....	\$ 189,335	\$ 26,569	\$ -	\$ 215,904
TOTAL LIABILITIES	\$ 189,335	\$ 26,569	\$ -	\$ 215,904
PENNSYLVANIA PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION				
ASSETS				
Cash.....	\$ -	\$ 143,977	\$ 141,424	\$ 2,553
Temporary investments.....	71,412	94,324	117,762	47,974
Receivables, net:				
Accounts.....	135	163	98	200
Other.....	112,413	679	-	113,092
Other assets.....	148	110	-	258
TOTAL ASSETS	\$ 184,108	\$ 239,253	\$ 259,284	\$ 164,077
LIABILITIES				
Deferred revenues.....	\$ 2,407	\$ 8	\$ 1,359	\$ 1,056
Other liabilities.....	181,701	-	18,680	163,021
TOTAL LIABILITIES	\$ 184,108	\$ 8	\$ 20,039	\$ 164,077
TOTAL				
ASSETS				
Cash.....	\$ 1,446	\$ 189,543	\$ 186,943	\$ 4,046
Temporary investments.....	259,301	219,688	216,604	262,385
Receivables, net:				
Accounts.....	135	163	98	200
Other.....	112,413	679	-	113,092
Other assets.....	148	110	-	258
TOTAL ASSETS	\$ 373,443	\$ 410,183	\$ 403,645	\$ 379,981
LIABILITIES				
Deferred revenues.....	\$ 2,407	\$ 8	\$ 1,359	\$ 1,056
Other liabilities.....	371,036	26,569	18,680	378,925
TOTAL LIABILITIES	\$ 373,443	\$ 26,577	\$ 20,039	\$ 379,981

— See notes to financial statements. —

COMBINING BALANCE SHEET

College and University Funds - Discretely Presented Component Unit

June 30, 2000

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Current Funds		Endowment and Similar Funds	Plant Funds			Agency Funds	Component Units	Total
	Unrestricted	Restricted		Unexpended	Renewal and Replacement	Retirement of Indebtedness			
ASSETS:									
Cash—Note D.....	\$ 12,584	\$ -	\$ -	\$ 1,651	\$ -	\$ 2,222	\$ -	\$ 30,587	\$ 47,044
Temporary investments—Note D.....	185,878	-	-	26,257	31,172	8,838	-	-	252,145
Long-term investments—Note D.....	217,416	817	18,094	1,733	-	157,202	-	7,509	402,771
Receivables, net:									
Accounts.....	17,078	10,833	-	-	601	573	-	2,557	31,744
Notes and loans—Note G.....	-	-	33,409	-	-	-	-	-	33,409
Other.....	-	-	-	2,205	-	-	-	-	2,205
Due from other funds—Note H.....	-	21,115	659	42,118	115,971	7,889	-	5,478	207,193
Inventory.....	4,784	-	-	-	-	-	11,004	-	4,784
Fixed assets—Note E.....	-	-	-	-	-	-	-	-	1,036,470
Less: accumulated depreciation.....	-	-	-	-	-	-	-	-	(341,215)
Other assets.....	24,182	167	33	484	147	6,337	-	9,011	40,361
TOTAL ASSETS	\$ 461,922	\$ 32,932	\$ 18,786	\$ 74,448	\$ 147,891	\$ 183,061	\$ 695,255	\$ 11,106	\$ 1,727,664
LIABILITIES AND FUND EQUITY									
Liabilities:									
Accounts payable and accrued liabilities.....	\$ 81,936	\$ 9,540	\$ -	\$ 9,606	\$ 14,040	\$ -	\$ -	\$ 350	\$ 124,107
Due to other funds—Note H.....	206,706	-	-	22	-	-	290	175	207,193
Due to primary government—Note H.....	4,469	-	-	-	-	-	-	-	4,469
Deferred revenue.....	43,112	-	-	-	-	-	-	-	43,112
Other liabilities.....	417,984	-	63	-	-	1,017	4,885	10,581	454,302
Capital lease obligations—Note K.....	-	-	-	15,475	29,374	9,231	363,605	-	417,685
TOTAL LIABILITIES	754,207	9,540	63	25,103	43,414	10,248	368,780	11,106	1,250,868
Fund Equity:									
Investment in fixed assets.....	-	-	-	-	-	-	326,475	-	326,475
Fund balance:									
Reserved for:									
Encumbrances.....	12,736	2,308	-	12,679	20,285	-	-	3,037	51,045
Loans receivable.....	-	-	36,305	-	-	-	-	-	36,305
Endowment and similar funds.....	-	-	18,786	-	-	-	-	-	18,786
Restricted fund balance.....	-	21,084	-	-	18,372	574	-	-	40,030
Other—Note C.....	112,963	-	-	11,935	28,044	1,048	-	11,931	165,921
Unreserved:									
Undesignated (deficit)—Note C.....	(417,984)	-	-	24,731	37,776	171,191	-	22,520	(161,766)
TOTAL FUND EQUITY (DEFICIT)	(292,285)	23,392	18,786	49,345	104,477	172,813	326,475	-	476,796
TOTAL LIABILITIES AND FUND EQUITY	\$ 461,922	\$ 32,932	\$ 18,786	\$ 74,448	\$ 147,891	\$ 183,061	\$ 695,255	\$ 11,106	\$ 1,727,664

- See notes to financial statements. -

COMBINED STATEMENT OF CHANGES IN FUND BALANCES
College and University Funds - Discretely Presented Component Unit

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Current Funds		Endowment and Similar Funds	Plant Funds			Component Units	Total
	Unrestricted	Restricted		Loan Funds	Unexpended	Renewal and Replacement		
REVENUES AND OTHER ADDITIONS:								
Unrestricted current funds.....	\$ 638,935	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 638,935
Gifts and bequests.....	-	4,771	-	1,078	2,562	504	490	11,399
Grants and contracts.....	-	167,044	153	-	302	697	-	168,582
Federal advances.....	-	-	1,035	-	-	-	-	1,035
Endowment income.....	-	669	-	-	-	-	-	669
Investment income.....	-	560	303	190	1,987	2,960	-	7,973
Net increase (decrease) in the fair value of investments.....	-	(4)	-	481	(30)	4,058	-	4,337
Interest on loans receivable.....	-	-	566	-	-	-	-	566
Expended for plant facilities—net of disposals (including \$2,990 charged to current funds expenditures).....	-	-	-	-	-	-	103,394	103,394
Retirement of indebtedness.....	-	467	133	1,069	423	348	15,724	16,598
Other.....	-	-	-	257	7,305	2,199	-	65,974
TOTAL REVENUES AND OTHER ADDITIONS.....	638,935	173,507	2,190	2,818	12,549	10,766	119,608	1,019,462
EXPENDITURES AND OTHER DEDUCTIONS:								
Educational and general.....	893,236	166,785	-	-	-	-	-	1,060,021
Auxiliary enterprises.....	132,005	189	-	-	-	-	-	132,194
Loan cancellations.....	-	-	504	-	-	-	-	504
Administrative and collection costs.....	-	-	235	-	-	-	-	235
Expended for plant facilities.....	-	-	-	-	41,100	301	32,499	98,231
Depreciation on plant facilities.....	-	-	-	-	-	-	49,511	50,727
Retirement of indebtedness.....	-	-	-	-	-	16,598	-	16,598
Interest on indebtedness.....	-	-	-	-	-	20,184	-	20,207
Other.....	-	2,507	13	15	-	55	2,297	52,210
TOTAL EXPENDITURES AND OTHER DEDUCTIONS.....	1,025,241	169,481	752	15	41,100	37,138	84,307	1,436,744
TRANSFER AND ALLOCATION AMONG FUNDS—								
ADDITIONS (DEDUCTIONS):								
Mandatory:								
Principal and interest.....	(16,529)	-	-	-	(2,857)	19,386	-	-
Other.....	(192)	(115)	192	115	-	-	-	-
Nonmandatory:								
Operating transfers from Primary Government—Note H.....	431,751	1,654	-	-	738	-	964	443,858
Other.....	(51,613)	-	-	127	22,319	1,336	(578)	-
TRANSFERS AND ALLOCATIONS, NET.....	363,417	1,539	192	242	34,303	20,722	964	443,858
NET INCREASE (DECREASE) FOR THE YEAR.....	(22,889)	5,565	1,630	3,045	5,752	(5,650)	36,265	26,576
FUND BALANCES (DEFICITS), JULY 1, 1999.....	(269,396)	17,827	34,675	15,741	98,725	178,463	290,210	450,220
FUND BALANCES (DEFICITS),								
JUNE 30, 2000—NOTE C	\$ (292,285)	\$ 23,392	\$ 36,305	\$ 18,786	\$ 104,477	\$ 172,813	\$ 326,475	\$ 476,796

- See notes to financial statements. -

**COMBINED STATEMENT OF CURRENT FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
College and University Funds—Discretely Presented Component Unit

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
(Expressed in Thousands)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
REVENUES:			
Tuition and fees.....	\$ 435,227	\$ -	\$ 435,227
Government grants and contracts:			
State and local.....	1,006	84,503	85,509
Federal.....	2,351	77,579	79,930
Private gifts, grants and contracts.....	4,197	9,703	13,900
Investment income.....	22,235	537	22,772
Decrease in the fair value of investments.....	(5,027)	-	(5,027)
Endowment income.....	107	667	774
Activities of educational departments.....	8,711	-	8,711
Other sources.....	13,895	518	14,413
Auxiliary enterprises.....	156,233	-	156,233
TOTAL REVENUES	<u>638,935</u>	<u>173,507</u>	<u>812,442</u>
EXPENDITURES AND MANDATORY TRANSFERS:			
EXPENDITURES:			
Educational and general:			
Instruction.....	446,677	6,126	452,803
Research.....	1,022	2,499	3,521
Public service.....	9,462	24,322	33,784
Academic support.....	97,323	5,804	103,127
Student services.....	84,620	5,246	89,866
Operations and maintenance of plant.....	92,439	1,218	93,657
General institutional support.....	150,640	5,153	155,793
Student aid.....	11,053	116,417	127,470
TOTAL EDUCATIONAL AND GENERAL	<u>893,236</u>	<u>166,785</u>	<u>1,060,021</u>
Auxiliary enterprises.....	132,005	189	132,194
TOTAL EXPENDITURES	<u>1,025,241</u>	<u>166,974</u>	<u>1,192,215</u>
MANDATORY TRANSFERS:			
Retirement of indebtedness.....	5,299	-	5,299
Loan funds matching grants.....	192	-	192
Other.....	39,115	115	39,230
TOTAL MANDATORY TRANSFERS	<u>44,606</u>	<u>115</u>	<u>44,721</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>1,069,847</u>	<u>167,089</u>	<u>1,236,936</u>
OPERATING TRANSFERS, OTHER TRANSFERS AND DEDUCTIONS:			
Operating transfers from Primary Government—Note H.....	431,751	1,654	433,405
Other transfers.....	(23,728)	-	(23,728)
Deductions.....	-	(2,507)	(2,507)
OPERATING TRANSFERS, OTHER TRANSFERS AND DEDUCTIONS, NET	<u>408,023</u>	<u>(853)</u>	<u>407,170</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ (22,889)</u>	<u>\$ 5,565</u>	<u>\$ (17,324)</u>

— See notes to financial statements. —

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NOTES TO FINANCIAL STATEMENTS

COMMONWEALTH OF PENNSYLVANIA

NOTE A—FINANCIAL REPORTING ENTITY

Primary Government

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

Component Units

In addition to the PG, the financial reporting entity includes blended and discretely presented component units. Component units include all legally separate organizations for which the PG is financially accountable, and other organizations for which the nature and significance of their relationship with the PG are such that exclusion would cause the financial statements to be misleading or incomplete. The criteria used to define financial accountability include appointment of a voting majority of an organization's governing body and (1) the ability of the PG to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the PG. Fiscal dependency is also considered. The following organizations are included in the financial reporting entity as component units:

Blended Component Unit

State Employees' Retirement System (SERS) (Fiduciary Fund Type) — The SERS is a public employee retirement system which covers Commonwealth employees. The PG appoints all voting board members and, on a very limited basis, imposes its will on the SERS. The PG uses the SERS to provide pension benefits to PG employees. The PG makes essentially all employer contributions to the SERS; PG employees make almost all of the employee contributions to the SERS (virtually all PG employees are required to join the SERS). The PG is responsible for all of the SERS pension obligations. The SERS is a blended component unit because it provides services and benefits almost exclusively to the PG.

Discretely Presented Component Units

State Public School Building Authority (SPSBA) and Pennsylvania Higher Educational Facilities Authority (HEFA) (Governmental Fund Types) — The SPSBA and the HEFA issue limited obligation revenue bonds, the proceeds of which are used to finance the construction of facilities for school districts and public and private colleges and universities. These bonds are repaid solely from lease rental payments from the schools. Upon completion of the lease payment requirements (and satisfaction of bondholders), the title to the constructed or acquired assets vests with the schools.

The PG appoints all nine voting members of the SPSBA and the HEFA governing boards; nine high-ranking members of the PG serve as ex-officio members of each board. As a result, the PG is able to impose its will. The PG Department of Education approves the SPSBA and the HEFA projects (which indicates imposition of will and fiscal dependency). Although neither the PG nor the Authorities are obligated for debt service payments (beyond lease rental payments from schools), the PG may take certain actions to satisfy the SPSBA and the HEFA bondholders.

Ben Franklin/IRC Partnership (Partnership) (Governmental Fund Type) — The Partnership assists business through interaction of technology development, modernization and training programs. Industrial resource centers and technology centers, established through the Partnership, also increase the competitiveness of businesses. Operations of the Partnership are funded by state appropriations and private contributions; the Partnership may not issue debt. The Partnership works closely with the Department of Community and Economic Development (DCED). The PG appoints all fifteen voting members of the governing board. All Partnership expenditures must be appropriated annually by the General Assembly.

Insurance Fraud Prevention Authority (IFPA) (Governmental Fund Type) — The IFPA assists in the prevention, discovery, investigation and prosecution of insurance fraud. The IFPA is funded through assessments paid by the insurance industry and through certain criminal and civil fines, penalties and awards.

The PG appoints six of seven voting members of the IFPA governing board; the Attorney General serves ex-officio as one of these six members. A significant portion of IFPA expenditures funds the Section on Insurance Fraud in the Office of Attorney General; this indicates a financial benefit/burden. The IFPA is not fiscally dependent on the PG.

NOTES TO FINANCIAL STATEMENTS

NOTE A— Financial Reporting Entity (continued)

Philadelphia Shipyard Development Corporation (PSDC) (Governmental Fund Type) — The PSDC was created as a nonprofit corporation to assist the PG and other governmental entities in financing a shipbuilding facility at the former Philadelphia Naval Shipyard. The PSDC obtains funding from the PG and a variety of other governmental sources to fund development, construction and job recruitment and training costs.

The PG appoints all voting board members and provides a significant portion of funding for the PSDC.

Pennsylvania Higher Education Assistance Agency (PHEAA) (Proprietary Fund Type) — The PHEAA makes grants and loans to students to help fund the cost of higher education. Lending institutions and post-secondary schools are involved in the loan program. The PG funds the PHEAA grant program; the PHEAA issues revenue bonds to fund the student loan program. Revenue bonds are repaid from student loan repayments. The PHEAA also services student loan portfolios for lending institutions.

The PG appoints all voting board members but does not significantly impose its will on the PHEAA. A significant PG financial burden exists through subsidizing the grant program; also, although the PG is not obligated for the PHEAA revenue bonds, the PG could take certain actions to satisfy bondholders. The PHEAA is fiscally dependent, as the Governor must approve the issuance of its debt.

Pennsylvania Housing Finance Agency (PHFA) (Proprietary Fund Type) — The PHFA makes loans to eligible individuals and organizations to purchase or construct housing. The loan programs benefit low and moderate-income individuals and families.

The PG appoints all voting board members; four of the fourteen members may be removed at will. The Governor is required to request an appropriation from the General Assembly for the PHFA whenever a deficiency exists in the capital reserve account or if additional funds are needed to avoid a default on the PHFA debt. This represents a PG moral obligation for the PHFA debt. The Governor must approve the issuance of the PHFA debt.

Pennsylvania Industrial Development Authority (PIDA) (Proprietary Fund Type) — The PIDA collaborates with local industrial development corporations to make loans which help preserve or expand the work force, assist targeted economic areas or assist specific companies. Loans are made at lower-than-market interest rates; the interest rates are based on local unemployment and other economic conditions. The PIDA issues revenue bonds to finance the loan program. Loan repayments are used for debt service payments. The PIDA operates closely with the DCED.

The PG appoints all voting board members and is able to impose its will on the PIDA. The PG has provided contributed capital; "excess" PIDA funds are transferred to the General Fund. The PG is not obligated for the PIDA debt, but the PG could take certain actions to satisfy bondholders.

Pennsylvania Infrastructure Investment Authority (PENNVEST) (Proprietary Fund Type) — The PENNVEST makes grants and low-interest loans to local governments and authorities, businesses and nonprofit organizations for the construction, improvement, repair or rehabilitation of drinking and waste water systems. The PENNVEST obtains funds through Commonwealth general obligation bond proceeds (approved by referendum), revenue bonds, the Federal government and contributed amounts from Commonwealth funds. Loan repayments finance the PENNVEST debt service costs. The PENNVEST operates closely with the Department of Environmental Protection.

The PG appoints all voting board members; there are limitations on three of the thirteen appointments. By issuing general obligation debt and providing the proceeds to the PENNVEST as contributed capital, the PG creates a significant financial burden. The PG is not obligated for the PENNVEST debt, but the PG could take certain actions to satisfy bondholders. Upon dissolution, the assets of the PENNVEST revert to the Commonwealth.

Pennsylvania Turnpike Commission (PTC) (Proprietary Fund Type) — The PTC was created to construct, maintain and operate a turnpike system in the Commonwealth. Activities are financed through user tolls and the issuance of revenue bonds. Debt service payments are funded through user tolls. The PTC works closely with the Department of Transportation.

The PG appoints all voting members. The Department of Transportation must approve all contracts related to turnpike construction and supervise construction. When all the PTC bondholders have been satisfied, the PTC assets

NOTES TO FINANCIAL STATEMENTS

NOTE A— Financial Reporting Entity (continued)

revert to the Department of Transportation. The Governor must approve the issuance of all the PTC debt. The PG is not obligated for the PTC debt, but the PG could take certain actions to satisfy bondholders.

Pennsylvania Life and Health Insurance Guaranty Association (PLHIGA) (Fiduciary Fund Type) — The PLHIGA was created to protect insurance policy owners, insured persons, beneficiaries annuitants, payees and assignees of direct non-group life, health, annuity and supplemental policies or contracts from potential insurer failure due to the impairment or insolvency of the insurer. The PLHIGA guarantees the payment of insurance benefits and continuation of coverage by assessing member insurers. The PLHIGA is also authorized to assist the Pennsylvania Insurance Commissioner in the prevention and detection of insurer impairments or insolvencies.

The PG has appointment approval authority for all governing board members and the Insurance Commissioner has broad authority to impose will on the PLHIGA. There is a minor financial burden on the PG.

Pennsylvania Property and Casualty Insurance Guaranty Association (PPCIGA) (Fiduciary Fund Type) — The PPCIGA was created to provide for the payment of insured property and casualty policy claim losses and to avoid losses to claimants or policyholders as a result of insurer insolvency. The PPCIGA guarantees the payment of insurance benefits and continuation of coverage by assessing member insurers.

The PG has appointment approval authority for all governing board members and the Insurance Commissioner has broad authority to impose will on the PPCIGA. There is a minor financial burden on the PG.

Public School Employees' Retirement System (PSERS) (Fiduciary Fund Type) — The PSERS was created to administer and provide pension benefits to public school employees in Pennsylvania. The PSERS covers almost all such employees. Covered elementary and secondary school employers make employer contributions with the PG reimbursing each employer at least half their required annual contribution. Employer contributions for covered employees of higher education institutions and state-owned schools are shared equally by covered employers and the PG; all covered public school employees also make contributions.

The PG appoints eight of fifteen voting board members; the seven other members are appointed by active or retired public school employees or are appointed by public school boards. In addition to making significant contributions to the PSERS, the PG guarantees the payment of all annuities and other pension benefits. This represents a compelling PG financial burden.

State System of Higher Education (SSHE) (College and University Funds) — The SSHE was created to provide instruction for postsecondary students. The SSHE is composed of fourteen universities and an administrative headquarters. Resources are provided by student tuition, grants and PG subsidies.

The PG appoints all voting board members. Five of the sixteen appointments must be trustees of universities; three must be students. The PG provides significant operating and capital subsidies to the SSHE. The PG is not obligated for the SSHE debt, but the PG could take certain actions to satisfy bondholders.

Pennsylvania Economic Development Financing Authority (PEDFA)—The PEDFA was created to lend money primarily to businesses to promote economic development in the Commonwealth. The PEDFA issues revenue bonds to fund specific projects only and repayments are derived solely from project revenues. The debt is considered non-recourse, as the Authority is not obligated to bondholders beyond amounts received by the Authority from the funded projects. Financial statement information for the PEDFA is not reported because its only activity involves conduit debt.

The PG appoints all sixteen board members; five members are ex-officio. The PG is not obligated for the PEDFA debt, but the PG could take certain actions to satisfy bondholders. Upon dissolution, the assets of PEDFA revert to the Commonwealth.

Pennsylvania Energy Development Authority (PEDA)—The PEDA was created to promote the development of energy sources within the Commonwealth. The PEDA issued revenue bonds and lent the proceeds to fund three specific projects. Loan repayments are derived solely from project revenues. The debt is considered non-recourse, as the PEDA is not obligated to bondholders beyond amounts received from the funded projects. The PEDA has not issued any debt since 1990. Financial statement information for the PEDA is not reported because its only activity involves conduit debt.

NOTES TO FINANCIAL STATEMENTS

NOTE A— Financial Reporting Entity (continued)

The PG appoints all nineteen board members; six members are ex-officio. The Governor must approve the issuance of Authority debt. The PG is not obligated for the PEDDA debt, but the PG could take certain actions to satisfy bondholders.

Financial Reports

The Commonwealth sponsors the INVEST Program for Local Governments, an external investment pool, which is reported as an Investment Trust Fund. Audited financial statements for the INVEST Program and for component units are available by writing to the Deputy Secretary for Comptroller Operations, Room 207 Finance Building, Harrisburg, PA 17120.

Related Organizations

The Commonwealth created the Pennsylvania Municipal Retirement System (PMRS). The PG appoints all eleven governing board members but is not financially accountable, as there is no imposition of will, no financial benefit/burden, nor fiscal dependency associated with the PMRS. Local governments are the only participants in the PMRS. Participation is voluntary and there are variations among different municipal pension plans. Local participating governments are financially responsible only for their own plan obligations. The Commonwealth provides accounting services to the PMRS on a cost reimbursement basis.

The Commonwealth also created the Automotive Theft Prevention Authority (ATPA). The PG appoints all seven governing board members but is not financially accountable due to a lack of imposition of will and no financial benefit/burden. The ATPA is not fiscally dependent on the PG. The operation of the ATPA is funded by an annual assessment paid by companies providing automobile insurance in the Commonwealth. The PG processes cash receipts and disbursements for the ATPA.

Joint Venture

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

Excluded Organizations

School districts, local governments and counties are considered separate, stand-alone primary governments since they are governed by popularly elected officials.

Secondary vocational-technical schools, intermediate units and community colleges were considered as potential component units, but have been excluded from the financial reporting entity. These schools may receive significant PG operating and/or capital subsidies, but the PG does not appoint a voting majority of governing board members, nor does the PG impose its will on these organizations. Although various Commonwealth laws affect or strongly influence these organizations, the PG does not control day-to-day operating decisions. These organizations are not fiscally dependent on the PG.

Four universities, commonly referred to as "state-related," including Pennsylvania State University, University of Pittsburgh, Lincoln University and Temple University, were considered as potential component units. The PG appoints a portion, but not a voting majority, of the governing board at each university and provides significant operating and capital subsidies. However, given the absence of the PG appointment of a voting majority and the lack of fiscal dependency, these universities are excluded from the financial reporting entity.

NOTES TO FINANCIAL STATEMENTS

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.

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

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.

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, 1999 and the State Stores Fund for its fiscal year ended June 27, 2000.

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, a Pension Trust Fund, an Investment Trust Fund and Agency Funds. The State Employees' Retirement System, a Pension Trust Fund, the Deferred Compensation Fund, an Expendable Trust Fund, and the INVEST Program for Local Governments, an Investment Trust Fund, are included for their fiscal years ended December 31, 1999.

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.

Discretely presented component units include Governmental Funds, Proprietary Funds, Fiduciary Funds and College and University Funds which are legally separate from the Commonwealth but are considered part of the reporting entity. The Philadelphia Shipyard Development Corporation, the Pennsylvania Life and Health Insurance Guaranty Association and the Pennsylvania Property and Casualty Insurance Guaranty Association are included for their fiscal years ended December 31, 1999. The College and University Funds are reported as follows:

NOTES TO FINANCIAL STATEMENTS

NOTE B— Summary of Significant Accounting Policies (continued)

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 the accounting guidance and reporting practices outlined in the American Institute of Certified Public Accountants Industry Audit Guide, *Audits of Colleges and Universities*, and other applicable guidance. Accordingly, the College and University Funds are an aggregation of the following funds:

Current Funds—Unrestricted and University Designated—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.

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.

Component Units—Account for certain legally separate affiliated organizations for which the Board is financially accountable.

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. Unreserved 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

NOTES TO FINANCIAL STATEMENTS

NOTE B— Summary of Significant Accounting Policies (continued)

the fiscal year that normally would be liquidated with expendable available financial resources. Budgetary encumbrances are not reported as expenditures.

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. Under GASB Statement 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Commonwealth has elected not to adopt the Financial Accounting Standards Board pronouncements issued after November 30, 1989.

The College and University Funds, a component unit, are reported using the "financial flow" (spending) measurement focus and the accrual basis of accounting. This treatment is in accordance with existing authoritative accounting and reporting principles applicable to colleges and universities.

Basis of Accounting (Budgetary): 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.

Budgeted revenues in the 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 or legally amended. Actual amounts are presented on the budgetary basis (see Note T). 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.

Budget Adoption: 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.

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

- General Fund
- Special Revenue Funds:
 - State Lottery
 - Motor License
 - Workmen's Compensation Administration
 - Banking Department
 - Milk Marketing

Budgetary Expenditure Control: Legally adopted budgets include numerous expenditure appropriations which are the legal level of expenditure control; budgetary expenditure control is exercised at the appropriation level (legislative spending authority level). Encumbrances and expenditures cannot exceed amounts appropriated plus actual augmentations (certain revenues credited to specific appropriations). Appropriation transfers between or within departments and any supplemental appropriations require both executive and legislative branch approval.

NOTES TO FINANCIAL STATEMENTS

NOTE B— Summary of Significant Accounting Policies (continued)

Unencumbered and unexpended appropriations lapse at fiscal year end and become available for appropriation in the subsequent year.

The legally adopted budget for the General Fund includes \$220.1 million in state supplemental appropriations and \$713.1 in federal supplemental appropriations approved during the fiscal year ended June 30, 2000. 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. Note T provides more information on budgetary compliance.

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

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

Investment Pools: The Fiscal Code provides the Treasury Department with investment control over most Commonwealth funds. The Treasury Department uses a variety of sophisticated internal investment pools to ensure safety and maximize efficiency, liquidity and yield for Commonwealth funds. All participating funds report amounts invested in such pools as temporary and/or long-term investments; the pools themselves are not financially reported. The Treasury Department maintains an external investment pool, the INVEST Program for Local Governments, which separately issues audited financial statements, and is reported as an Investment Trust Fund.

Temporary Investments: The Treasury Department manages the Short Term Investment Pool (STIP); practically all individual funds which are part of primary government are participants in the STIP. The Treasury Department accounts for each participating fund's equity (considered "shares") in the STIP on a daily basis. "Share" balances of participating funds fluctuate considerably during the fiscal year, based on the timing of cash receipts and disbursements in the participating fund, and are reported as temporary investments. The STIP is considered an internal investment pool. Periodic STIP earnings are allocated to specific participating funds based on the weighted daily average of "share" balances.

Several individual funds may directly own investments in specific securities. Such investments which are expected to be realized in cash within twelve months or less are reported as temporary investments. Temporary investments are reported at fair value (typically using published market prices) except for nonparticipating interest-bearing contracts, which are reported at cost.

Long-Term Investments: Investments expected to be realized in cash after twelve months are reported as long-term investments. Long-term investments are reported at fair value, except for certain nonparticipating interest-bearing contracts, which are reported at cost. Fair values are based on published market prices, quotations from national securities exchanges and securities pricing services, or by the respective fund managers for securities which are not actively traded. Other investments are valued based on appraisals or the present value of projected future income.

Investment Income: Investment income includes interest, dividends, realized gains and losses and the change in the fair value of investments, if any, during the fiscal year.

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

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.

NOTES TO FINANCIAL STATEMENTS

NOTE B— Summary of Significant Accounting Policies (continued)

Fixed Assets and Depreciation: General fixed assets are reported at cost or estimated historical cost. Donated general fixed assets are reported at fair market value at the time of donation. All land is reported; for other types of general fixed assets, the following minimum dollar reporting thresholds are used:

Land improvements, buildings and building improvements.....	\$ 25,000
Vehicles, machinery and equipment.....	\$ 20,000

Commonwealth agencies maintain inventories of all their respective fixed assets, including assets which are not reported in the GPFS. Public domain general fixed assets (including highways, bridges, highway land and rights-of-way) are not capitalized. No depreciation is reported for 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. 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.

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

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

Compensated Absences: Employees earn annual leave based on 2 percent to 10 percent of regular hours paid. A maximum of 45 days may be carried forward at the end of each calendar year. Employees are paid for accumulated annual leave upon termination or retirement.

Employees earn sick leave based on 5 percent of regular hours paid. A maximum of 300 days may be carried forward at the end of each calendar year. Retiring employees that meet service, age or disability requirements are paid in accordance with the following schedule:

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

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 20 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.

NOTES TO FINANCIAL STATEMENTS

NOTE B— Summary of Significant Accounting Policies (continued)

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 executive authorization appropriated 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, fifteen 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 a fund balance reservation in the General Fund.

Tobacco Master Settlement Agreement: In 1997, the Pennsylvania Attorney General began litigation in Commonwealth Court against several defendant tobacco product manufacturers to recover certain amounts the Commonwealth allegedly expended to provide health care to numerous tobacco product users. In 1998, along with many other states, the Commonwealth joined in a settlement which provided, among other things, that the Commonwealth cease its litigation against manufacturers. As part of the settlement, certain manufacturers agreed to remit periodic payments to the Commonwealth and other states (amounting to over \$200 billion, according to estimates) until 2025. Amounts remitted are calculated based on a variety of specific settlement provisions; future tobacco product sales is one key factor used in determining periodic payment amounts. Through June 30, 2000 the Commonwealth received over \$464 million from tobacco manufacturers; this amount is reported in the General Fund as part of "other" revenue. Future payments will be reported as revenue when they are received; no receivable for such payments is reported. At June 30, 2000 \$467 million is reported as a General Fund unreserved fund balance designation; this amount includes manufacturer payments and related investment income. It is likely that designated amounts will be transferred to a special fund after settlement amounts are appropriated for expenditure.

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. Legally required transfers between primary government and component unit organizations are reported when incurred as "Operating transfers from component unit" by the recipient organization and "Operating transfers to primary government" or "Operating transfers to component unit" 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, 2000 is presented in Note H.

Total—Memorandum Only: The "Total (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 EQUITY

Deficits: The Disaster Relief Fund, the Workmen's Compensation Supersedeas Fund and the State Racing Fund, Special Revenue Funds, reported fund balance deficits of \$549, \$8,906 and \$452 (amounts in thousands), respectively, at June 30, 2000.

The Disaster Relief Redemption Fund, a Debt Service Fund, reported a deficit unreserved/undesignated fund balance of \$53 thousand at June 30, 2000. This fund did not report fund balance designated for debt service or any other designations and it is the only debt service fund that reported a deficit.

The Capital Facilities Fund, a Capital Projects Fund, reported a deficit unreserved/undesignated fund balance of \$710,378 at June 30, 2000. In total, the Capital Facilities Fund reported a fund balance of \$166,323 at June 30, 2000. Total Capital Projects Funds reported reservations for encumbrances of \$907,931, other reservations of \$2,335, designations for Capital Projects of \$86,644 and a deficit unreserved/undesignated fund balance of \$710,378, for a total combined fund balance of \$286,532 (amounts in thousands) at June 30, 2000.

The Minority Business Development Fund, an Enterprise Fund, reported deficit retained earnings of \$30,187 (amount in thousands) at June 30, 2000.

The State System of Higher Education, College and University Funds, reported a current funds unrestricted fund balance deficit of \$292,285 (amount in thousands) at June 30, 2000.

Restatements: The INVEST Program for Local Governments, an Investment Trust Fund, has restated previously reported plan net assets of \$833,702 at December 31, 1998 and has reported \$870,855 (amounts in thousands) at January 1, 1999 to report all investment portfolios.

The previously reported fund balance for discretely presented governmental fund component units, \$633,063 at June 30, 1999, is being reduced and restated as \$632,786 at July 1, 1999 to include a fund deficit of \$277 (in thousands) pertaining to the Philadelphia Shipyard Development Corporation at January 1, 1999.

The Pennsylvania Life and Health Insurance Guaranty Association and the Pennsylvania Property and Casualty Insurance Guaranty Association, discretely presented agency fund component units, reported total assets/liabilities of \$189,335 and \$373,443 (in thousands), respectively, at January 1, 1999.

Reservations and Designations: Reservations 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, \$20.8 million, is applicable to advances as follows: \$9 million to the Purchasing Fund, an Internal Service Fund, \$2.3 million to the State Workmen's Insurance Fund, an Enterprise Fund, \$2.2 million to the Motor License Fund and \$7.3 million to the Pharmaceutical Assistance Fund, both, Special Revenue Funds. At December 31, 1999 the State Workmen's Insurance Fund has reported an advance from the General Fund in the amount of \$2 million.

The amount reserved for advances in the Hazardous Sites Cleanup Fund, a Special Revenue Fund, is applicable to a \$3 million advance to the Small Business First Fund, an Enterprise Fund.

The \$362,027 reported as "reserved for other" in the General Fund at June 30, 2000 pertains to the following (amounts in thousands):

Continuing programs	\$ 181,930
Restricted revenue.....	141,628
Judicial carryover appropriations.....	22,438
Receivables	<u>16,031</u>
Total General Fund	<u>\$ 362,027</u>

NOTES TO FINANCIAL STATEMENTS

NOTE C—Fund Equity (continued)

The \$35,685 reported as “reserved for other” in the Special Revenue Funds at June 30, 2000 pertains to the following (amounts in thousands):

Land reclamation	\$ 23,059
Pharmaceutical assistance programs	8,516
Recreation programs	1,645
Recycling programs	852
Other programs	<u>1,613</u>
 Total Special Revenue Funds	 \$ <u>35,685</u>

The \$2.3 million reported as “reserved for other” in the Capital Facilities Fund, a Capital Projects Fund, pertains to GSA maintenance activities. The \$4.9 million reported as “reserved for other” in the Pennsylvania Higher Educational Facilities Authority, a discretely presented governmental component unit, pertains to trust indentures. The \$165.9 million reported as “reserved for other” by the State System of Higher Education, a discretely presented component unit, at June 30, 2000 pertains to approved academic projects that will begin in subsequent fiscal periods.

Reserved retained earnings reported for Enterprise Funds are provided principally for contingencies for the Rehabilitation Center Fund in the amount of \$888 and equipment replacement for other enterprise funds of \$3,448. Reserved retained earnings reported for discretely presented component unit proprietary funds are provided principally for the retirement of revenue bonds relating to the Pennsylvania Turnpike Commission in the amount of \$1,139,509, student loans relating to the Pennsylvania Higher Education Assistance Agency of \$66,302, and housing programs relating to the Pennsylvania Housing Finance Agency of \$110,118 (amounts in thousands).

Designations of unreserved fund balances reflect managerial plans for the future use of financial resources. At June 30, 2000 the Commonwealth has included the following amounts as “Designated—Other” for the General Fund and Special Revenue Funds (amounts in thousands):

General Fund:	
Tobacco settlement funds for future designated purposes ...	\$ 466,858
Group medical and life insurance	78,628
Job creation tax credits	52,134
Judicial computer system	35,067
Agency construction projects	28,524
Other	<u>16,686</u>
Total General Fund	\$ <u>677,897</u>
Special Revenue Fund:	
State Lottery Fund – for litigated prizes	\$ <u>264</u>

The Insurance Fraud Prevention Authority, a discretely presented governmental fund component unit, reported \$3,688 thousand as “Designated—Other” for future program grants.

Contributed Capital: During the fiscal year ended June 30, 2000, there is a net increase in contributed capital for proprietary fund types - primary government and discretely presented component units of \$193,756. The increases and decreases in contributed capital by fund type are as follows (amounts in thousands):

	Primary Government		Discretely Presented Proprietary Fund Component Units
	Enterprise	Internal Service	
July 1, 1999 balances	\$ 251,587	\$ 9,187	\$ 1,651,912
Contributing sources/(uses):			
Primary government	27,000	-	144,091
Federal government	10,170	-	14,792
Program grants	-	-	(2,211)
Other decrease	<u>(86)</u>	-	-
June 30, 2000 balances	\$ <u>288,671</u>	\$ <u>9,187</u>	\$ <u>1,808,584</u>

NOTES TO FINANCIAL STATEMENTS

NOTE D — DEPOSITS AND INVESTMENTS

Authority for Deposits and Investments:

The deposit and investment policies of the Treasury Department are governed by section 301, 301.1 and 505 of the Pennsylvania Fiscal Code (Act of 1929, P.L. 343, No. 176, amended November 16, 1985). Treasury deposits must be held in insured depositories approved by the Board of Finance and Revenue and must be fully collateralized. The Treasury Department may invest in 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 Investors Service or the equivalent by Standard and Poor's or Fitch Investors Service; certificates of deposit issued by Pennsylvania banks or savings and loan associations; repurchase agreements secured by Federal obligations; banker's acceptances; and up to a maximum of 10 percent of the book value of a fund's assets in any type of investment (other than common stock) not otherwise specifically authorized. The Treasury Department manages the Short-Term Investment Pool (STIP) whereby amounts from practically all Commonwealth Funds are invested on a temporary basis. The objectives of the STIP are safety, liquidity and yield and all investments are made in accordance with the preceding statutory authority. Throughout the fiscal year, the STIP participates in reverse repurchase agreements; Treasury Department policies require that the maturity date of the reverse repurchase agreements and the maturity date of the regular repurchase agreement purchased with the proceeds occur on the same date.

The deposit and investment policies of certain component units are established by authority other than the Fiscal Code. Enabling statutes generally provide deposit and investment authority for component units. Further, specific bond and trust indentures, as well as formal governing board resolutions, provide deposit and investment requirements. Allowable investments of component units do not significantly differ from those investments of the Treasury Department, except that, 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, real estate and venture capital during their fiscal years. These two Funds also participate in a securities lending program, sponsored by the Treasury Department, and utilize financial instruments with off-balance sheet risk. Specific disclosures about Pension Trust Fund investments are included in this Note.

Deposits:

The Treasury Department controls the receipt and disbursement of amounts owned by agencies included in the primary government. Certain discretely presented component units, meanwhile, control receipt and disbursement of their own funds, typically through a trustee. The following summaries present the amount of primary government and discretely presented component unit (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, 2000 (amounts in thousands).

Primary Government

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Bank Balance</u>	<u>Carrying Amount</u>
Cash	\$ 68,518	\$ -	\$ -	\$ 68,518	\$ 117,885
Cash with fiscal agents.....	2,938,709	3,425	10,428	2,952,562	2,948,389
Certificates of deposit and related items	161,637	268	46,183	208,088	208,088

The above-listed \$208,088 in certificates of deposit and related items is reported as part of primary government temporary investments at June 30, 2000. To provide increased income while maintaining safety and liquidity, the Treasury Department routinely enters into overnight repurchase agreements using "float" on outstanding checks. At June 30, 2000 the Treasury Department used \$463 million of available cash for overnight repurchase agreements. These investments are registered in the Commonwealth's name and are not reported in the financial statements.

Discretely Presented Component Units

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Bank Balance</u>	<u>Carrying Amount</u>
Cash	\$ 86,797	\$ 1	\$ 102,719	\$ 189,517	\$ 141,075
Cash with fiscal agents.....	100	1,552	942	2,594	2,120

NOTES TO FINANCIAL STATEMENTS

NOTE D— Deposits and Investments (continued)

Investments:

The Treasury Department, other agencies in the primary government and discretely presented component units (Commonwealth) categorize 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, or by 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, mortgage loans, real estate and venture capital. The following summaries identify the level of credit risk assumed by the Commonwealth and the related carrying amount of Commonwealth investments at June 30, 2000 (amounts in thousands).

Primary Government

All primary government investments susceptible to credit risk are in Category 1.

Commercial paper	\$ 1,106,651
Common and preferred stock	10,420,083
Corporate bonds and notes	3,254,714
International fixed income	37,560
Negotiable certificates of deposit	13,921
Repurchase agreements	7,397,541
State and municipal obligations	649,331
U.S. Treasury obligations	4,176,305
U.S. Government agency obligations	<u>708,253</u>
Total categorized investments	27,764,359
Add investments not susceptible to credit risk categorization:	
Mutual funds owned by the Deferred Compensation Fund at December 31, 1999....	887,849
Investments owned by the State Employees' Retirement System (SERS) at December 31, 1999:	
Mortgage loans	107,200
Mutual funds	7,914,062
Real estate	2,335,028
Securities lending collateral	1,083,831
Venture capital	1,900,359
Securities lent by SERS at December 31, 1999:	
U.S. Treasury securities	502,311
Corporate bonds and notes	152,363
Common and preferred stocks	448,912
Investments owned by the Statutory Liquidator Fund at June 30, 2000:	
Annuities	2,190
Subsidiaries	58
Mortgage loans	2,652
Partnership interests	18
Pooled investments owned by the Underground Storage Tank Indemnification Fund at June 30, 2000	8,882
Securities lending collateral held by the State Lottery Fund at June 30, 2000	2,363
Securities lending collateral held by the Workmen's Compensation Security Trust Fund at June 30, 2000	391,788
Securities lending collateral held by the State Workmen's Insurance Fund at December 31, 1999	480,558
Securities underlying reverse repurchase agreements at June 30, 2000	<u>307,643</u>
Total	\$44,292,426
Certificates of deposit and related items	208,088
Amount financially reported by discretely presented component units in Pennsylvania Treasury short-term investment pool at June 30, 2000	<u>(413,373)</u>
Total primary government temporary and long-term investments	<u>\$ 44,087,141</u>

The above-listed \$208,088 in certificates of deposit and related items are financially reported as part of temporary investments at June 30, 2000, but are treated as deposits for a determination of the level of credit risk associated with them.

NOTES TO FINANCIAL STATEMENTS

NOTE D— Deposits and Investments (continued)

The State Employees' Retirement System, a Pension Trust Fund, owns approximately 96 percent of the common and preferred stock, 90 percent of the corporate bonds and notes and 50 percent of the U.S. Treasury obligations reported in the above summary. The Treasury Short-Term Investment Pool owns 86 percent of the repurchase agreements in the above summary. There were no violations of statutory authority or contractual provisions for investments during the year ended June 30, 2000.

Financial Instruments With Off-Balance Sheet Risk

The State Employees' Retirement System (SERS) enters into foreign exchange contracts, such as forward and spot contracts, to hedge foreign currency exposure. The SERS is not a dealer but an end-user of these instruments. The contracts are used primarily to enhance performance and reduce the volatility of the portfolio. The SERS is exposed to credit risk in the event of nonperformance by counterparties to financial instruments. As the SERS generally enters into transactions with institutions regarded as meeting high standards of credit worthiness, no losses associated with counterparty nonperformance on derivative financial instruments have been incurred. Legal risk is mitigated through careful selection of brokers and an extensive process of review of all documentation. The SERS is exposed to market risk—the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed within risk limits set by management by buying or selling instruments or entering into offsetting positions.

Foreign exchange contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed upon price and settlement date. At December 31, 1999, the SERS had contracts maturing through December 31, 2000, to purchase or sell foreign currency. The \$7,414,864 of total foreign currency contracts outstanding at December 31, 1999 consist of "buy" contracts, which represent the U.S. dollar equivalents of commitments to purchase foreign currency of \$4,519,415, and "sell" contracts, which represent U.S. dollar equivalents of commitments to sell foreign currency of \$2,895,449 (amounts in thousands). Net unrealized gains on foreign currency contracts were approximately \$38.1 million at December 31, 1999.

Discretely Presented Component Units

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total</u>
Asset backed securities	\$ -	\$ 62,987	\$ -	\$ 62,987
Commercial paper	-	201,730	26,262	227,992
Common and preferred stock	24,078,273	771	20	24,079,064
Corporate bonds and notes	4,956,576	90,370	3,787	5,050,733
International equities	9,407,465	-	-	9,407,465
International fixed income	1,027,466	-	-	1,027,466
Mortgage-backed securities	4,756,817	54,704	-	4,811,521
Repurchase agreements	131,197	109,477	214,542	455,216
State and municipal obligations	-	45,928	1,000	46,928
U.S. Treasury obligations	-	591,795	77,543	669,338
U.S. Government agency obligations	1,229,001	226,661	69,139	1,524,801
Various short-term investments	<u>802,785</u>	<u>6,006</u>	-	<u>808,791</u>
Total categorized investments	<u>\$ 46,389,580</u>	<u>\$1,390,429</u>	<u>\$ 392,293</u>	48,172,302

NOTES TO FINANCIAL STATEMENTS

NOTE D— Deposits and Investments (continued)

Investments not susceptible to credit risk categorization:

Investments owned by the State Public School Building Authority at June 30, 2000:	
Guaranteed investment contracts.....	9,700
Money market funds.....	9,327
Pennsylvania Treasury INVEST pool.....	57,518
Investments owned by the Higher Educational Facilities Authority at June 30, 2000:	
Guaranteed investment contracts.....	275,112
Money market funds.....	70,647
Investments owned by the Ben Franklin/IRC Partnership in Pennsylvania Treasury short-term investment pool at June 30, 2000	
	5,094
Investments owned by the Insurance Fraud Prevention Authority in the Pennsylvania Treasury short-term investment pool at June 30, 2000.....	
	1,948
Investments owned by the Philadelphia Shipyard Development Corporation at December 31, 1999:	
Money market funds.....	35,339
Investments owned by the Pennsylvania Industrial Development Authority in Pennsylvania Treasury short-term investment pool at June 30, 2000	
	6,897
Investments owned by the Pennsylvania Housing Finance Agency at June 30, 2000:	
Investment agreements.....	52,275
Mutual funds.....	122,313
Investments owned by the Pennsylvania Higher Education Assistance Agency at June 30, 2000:	
Investment agreements.....	120,621
Money market funds.....	124,824
Pennsylvania short-term investment pool at June 30, 2000	230,484
Investments owned by the Pennsylvania Infrastructure Investment Authority at June 30, 2000:	
Mutual funds.....	113,319
Pennsylvania Treasury short-term investment pool.....	168,950
Investments owned by the Pennsylvania Turnpike Commission at May 31, 2000:	
Mutual funds.....	62,397
Investments owned by the Public School Employees' Retirement System at June 30, 2000:	
Farmland investments	71,639
Invested with Pennsylvania Treasury Department	1,130,581
Mutual funds.....	1,633,566
Private placements	3,261
Real estate	1,433,429
Securities lending collateral	2,682,871
Securities lending investments.....	2,609,247
Venture capital.....	1,755,516
Investments owned by the Pennsylvania Life and Health Insurance Guaranty Association at December 31, 1999:	
Mutual funds.....	143,076
Investments owned by the State System of Higher Education at June 30, 2000:	
Mutual funds and other investments	24,501
Total temporary and long-term investments.....	<u>\$61,126,754</u>

The total amount reported by discretely presented component units in the Pennsylvania Treasury short-term investment pool (STIP) are \$413,373 (in thousands) at June 30, 2000; STIP disclosures are included as part of Primary Government.

NOTES TO FINANCIAL STATEMENTS

NOTE D— Deposits and Investments (continued)

The Public School Employees' Retirement System (PSERS), a Pension Trust Fund, owns approximately 100 percent of the common and preferred stock, 98 percent of the corporate bonds and notes, 100 percent of international equities, 100 percent of international fixed income, 99 percent of mortgage-backed securities, and 64 percent of U.S. government agency obligations reported in the above summary. There were no violations of statutory authority or contractual provisions for investments during the fiscal year ended June 30, 2000.

Financial Instruments with Off-Balance Sheet Risk

The Public School Employees' Retirement System (PSERS) enters into a variety of financial contracts, which include options and futures. The PSERS also enters into foreign exchange positions, such as forward and spot contracts to hedge foreign currency exposure; collateralized mortgage obligations (CMOs); other forward contracts; and U.S. Treasury STRIPS. The PSERS is not a dealer but an end-user of these instruments. The contracts are used primarily to enhance performance and reduce the volatility of the portfolio. Short-term investments and cash equal to or greater than performance obligations under these contracts are maintained at all times. The PSERS is exposed to credit risk in the event of nonperformance by counterparties to financial instruments. As the PSERS generally enters into transactions only with high-quality institutions, no losses associated with counterparty nonperformance on derivative financial instruments have been incurred. Legal risk is mitigated through careful selection of executing brokers and review of all documentation. The PSERS is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by senior management, by buying or selling instruments or entering into offsetting positions.

The contract or notional amounts of derivatives indicate the extent of the PSERS's involvement in the various types and uses of derivative financial instruments and do not measure the PSERS's exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

The following table summarizes the aggregate notional or contractual amounts for the PSERS's derivative financial instruments at June 30, 2000 (amounts in thousands):

Futures contracts long and short.....	\$ 9,641,623
Foreign exchange forward and spot contracts, gross.....	2,774,969
Options—calls purchased.....	108,750
Options—calls sold.....	274,259
Options—puts sold.....	314,971

Futures contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specific financial instrument at a predetermined price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that a counterparty will not pay and generally requires margin payments to minimize such risk. Initial margin requirements on futures contracts are provided by investment securities pledged as collateral and held in segregated accounts by the PSERS's custodial bank or by cash held in a broker margin account. Although the PSERS has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed. The value of securities pledged at June 30, 2000 and the amount of cash held in broker margin accounts represent a restriction on the amount of assets available as of year end to use for other purposes.

Option contracts provide the option purchaser with the right, but not the obligation, to buy or sell the underlying security at a set price during a period or at a specified date. The option writer is obligated to buy or sell the underlying security if the option purchaser chooses to exercise. The PSERS generally uses exchange listed index, currency, stock and futures options. The PSERS has authorized an investment manager to write covered call stock index option spreads up to a notional amount of \$500 million.

Foreign exchange contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. The contracts reported above primarily include forwards. The \$2,775.0 million of foreign currency contracts outstanding at June 30, 2000 consists of "buy" contracts of \$1,721.9 million, which represent the U.S. dollar equivalent of commitments to purchase foreign currency, and "sell" contracts of \$1,053.1 million, which represent U.S. dollar equivalents of commitments to sell foreign currencies.

NOTES TO FINANCIAL STATEMENTS

NOTE D— Deposits and Investments (continued)

The PSERS also invests in mortgage-backed securities (MBS) such as CMOs and MBS forwards to maximize yields. These securities are sensitive to prepayments by mortgages, which may result from a drop in interest rates. The MBS forwards are subject to credit risk in the event of nonperformance by counterparties. The fair value of CMOs at June 30, 2000 is \$1,190.9 million.

Securities Lending Program

The following funds or organizations participate in a securities lending program established by the Treasury Department: State Lottery (a Special Revenue Fund), State Workmen's Insurance (an Enterprise Fund), Workmen's Compensation Security Trust (an Expendable Trust Fund), the State Employees' Retirement System (a blended component unit Pension Trust Fund) and the Public School Employees' Retirement System (a discretely presented component unit Pension Trust Fund). The Fiscal Code provides the Treasury Department with numerous custodial responsibilities; the securities program is an integral part of the custodial function. A contract between the Treasury Department and its custodian, acting as lending agent, provides that the custodian lends securities owned by the participants to independent brokers, dealers and banks, acting as borrowers.

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

To the extent collateral received consists of cash, the lending agent may use or invest the cash in accordance with reinvestment guidelines approved by the Treasury Department. Either the participant or the borrower may terminate lending agreements on demand. Lending agreements are typically of very short duration - usually overnight. Therefore, the duration of lending agreements does not generally match the maturities of the investments made with cash collateral. The resulting rate risk is mitigated by the lending agent's ability to reallocate lending agreements among program participants.

The program requires that the lending agent indemnify the Treasury Department for all claims, liabilities and costs resulting from the lending agent's negligence or intentional misconduct. During the fiscal year ended June 30, 2000 (December 31, 1999 for the SWIF and the SERS), there were no failures by any borrower to return securities lent or pay distributions thereon. Also, there were no losses resulting from a lending agent or borrower default and there were no Treasury Department restrictions on the amount of the loans that could be made.

At June 30, 2000 (December 31, 1999 for the SWIF and the SERS), there was no Treasury Department or participant credit risk to the borrowers because the fair value of collateral received was greater than the fair value of the securities lent, consistent with the lending agreements outstanding. The carrying amount and fair value of the securities lent are (amounts in thousands):

Public School Employees' Retirement System	\$ 3,685,065
State Employees' Retirement System.....	1,103,586
State Workmen's Insurance	471,319
Workmen's Compensation Security Trust	386,686
State Lottery.....	2,348

NOTES TO FINANCIAL STATEMENTS

NOTE E— FIXED ASSETS

A summary of fixed assets by category at June 30, 2000 is as follows (amounts in thousands):

	Primary Government			Discretely Presented Component Units		
	Enterprise Funds	Internal Service Funds	General Fixed Assets Account Group	Proprietary Funds	Fiduciary Funds	College and University Funds
Land	\$ 323	\$ 6	\$ 259,680	\$ 119,333	\$ -	\$ 12,084
Buildings	4,080	4,345	3,105,933	465,155	-	536,645
Improvements other than buildings	15,691	2,934	295,708	72,326	-	72,225
Machinery and equipment	72,992	83,530	601,381	200,733	18,806	382,167
Turnpike infrastructure	-	-	-	2,763,771	-	-
Construction in progress	-	-	836,805	746,898	-	44,102
Total	<u>\$ 93,086</u>	<u>\$ 90,815</u>	<u>\$ 5,099,507</u>	<u>\$ 4,368,216</u>	<u>\$ 18,806</u>	<u>\$ 1,047,223</u>

Changes in general fixed assets for the fiscal year ended June 30, 2000 are as follows (amounts in thousands):

	Balance June 30, 1999	Additions	Retirements	Balance June 30, 2000
Land	\$ 257,946	\$ 2,298	\$ 564	\$ 259,680
Buildings	3,065,696	60,108	19,871	3,105,933
Improvements other than buildings	265,998	29,766	56	295,708
Machinery and equipment	606,327	55,955	60,901	601,381
	4,195,967	148,127	81,392	4,262,702
Construction in progress	654,351	254,632	72,178	836,805
Total general fixed assets	<u>\$ 4,850,318</u>	<u>\$ 402,759</u>	<u>\$ 153,570</u>	<u>\$ 5,099,507</u>

Interest costs of \$9.9 million were capitalized for the Pennsylvania Turnpike Commission, a discretely presented component unit Proprietary Fund, for their fiscal year ended May 31, 2000.

The Commonwealth's initial valuation of general fixed assets was made as of June 30, 1986 including appraisal and historical cost reconstruction techniques. Subsequent to June 30, 1986 general fixed asset acquisitions are reported at cost or, for donations or confiscations, at fair market value. At June 30, 2000 the amount of general fixed assets related to the initial valuation amounts to \$1,854 million.

Construction in progress included in the General Fixed Assets Account Group at June 30, 2000 includes project information as follows (amounts in thousands):

	Project Authorization	Expended Through June 30, 2000		Authorization Available
		Amounts Previously Capitalized	Amounts Not Capitalized To Date	
Department of Corrections Institutions	\$ 634,700	\$ 176,910	\$ 336,093	\$ 121,697
Capital Complex	557,659	1,415	275,353	280,891
Colleges and Universities	193,278	47,910	109,126	36,242
Veterans Homes and Military Armories	89,630	32,465	46,332	10,833
Department of Public Welfare Institutions	70,936	18,069	38,953	13,914
Other	87,738	32,372	30,948	24,418
Total	<u>\$ 1,633,941</u>	<u>\$ 309,141</u>	<u>\$ 836,805</u>	<u>\$ 487,995</u>

NOTES TO FINANCIAL STATEMENTS

NOTE F— INSURANCE LOSS LIABILITY

The reported insurance loss liability of the State Workmen's Insurance Fund (SWIF), an Enterprise Fund, is primarily based on historical claims experience. One of the assumptions used to determine the reported liability amount include a 5.5 percent discount rate. There is uncertainty as to whether the reported liability will be supported by future claim experience, including payments; this uncertainty must be considered when evaluating the reported insurance loss liability.

For the two calendar years ended December 31, 1999, the following summary provides information on prior year reported insurance loss liability, incurred claims and payments, and current year reported insurance loss liability (amounts in thousands):

<u>Year Ended</u> <u>December 31</u>	<u>Prior Year</u> <u>Liability</u>	<u>Incurred Claims</u>		<u>Payments</u>		<u>Current Year</u> <u>Liability</u>
		<u>Current</u>	<u>Prior</u>	<u>Current</u>	<u>Prior</u>	
1999	\$1,291,212	\$ 91,270	\$ (69,232)	\$ 11,434	\$ 164,357	\$1,137,459
1998	\$1,375,357	\$ 104,871	\$ 12,637	\$ 12,324	\$ 189,329	\$1,291,212

NOTES TO FINANCIAL STATEMENTS

NOTE G— TAXES, LOANS AND LEASE RENTAL RECEIVABLES

Taxes Receivable: Taxes receivable at June 30, 2000 consisted of the following (amounts in thousands):

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Trust and Agency Funds</u>	<u>Total</u>
Sales and use.....	\$ 622,631	\$ 28,496	\$ -	\$ 651,127
Unemployment compensation.....	-	-	296,806	296,806
Personal income.....	309,034	-	-	309,034
Corporation.....	77,391	-	-	77,391
Liquid fuels.....	-	61,464	-	61,464
Other.....	<u>18,033</u>	<u>82,473</u>	<u>-</u>	<u>100,506</u>
	<u>\$ 1,027,089</u>	<u>\$ 172,433</u>	<u>\$ 296,806</u>	<u>\$ 1,496,328</u>

Notes and Loans Receivable: Loans receivable at June 30, 2000 consisted of the following (amounts in thousands):

	<u>Primary Government</u>		<u>Discretely Presented Component Units</u>	
	<u>Special Revenue Funds</u>	<u>Enterprise Funds</u>	<u>Proprietary Funds</u>	<u>College and University Funds</u>
Mortgage loans.....	\$ -	\$ -	\$ 3,033,155	\$ -
Student loans.....	-	-	2,416,484	38,825
Business development loans.....	52,772	119,448	612,506	-
Water and sewer system loans.....	14,959	-	1,147,989	-
Volunteer fire company loans.....	-	96,939	-	-
Other notes and loans.....	<u>7,071</u>	<u>7,917</u>	<u>-</u>	<u>-</u>
	74,802	224,304	7,210,134	38,825
Less: Allowance for uncollectible accounts.....	<u>5,968</u>	<u>25,258</u>	<u>236,571</u>	<u>5,416</u>
Notes and loans receivable, net.....	<u>\$ 68,834</u>	<u>\$ 199,046</u>	<u>\$ 6,973,563</u>	<u>\$ 33,409</u>

Primary government trust and agency funds reported \$5,887 thousand of loans to replace underground storage tanks at June 30, 2000.

Discretely presented component unit governmental funds reported \$930 thousand of loans to school districts at June 30, 2000.

Lease Rentals Receivable: The Capital Facilities Fund, a Capital Projects Fund, reports amounts related to construction projects for educational institutions funded 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 the related Capital Debt Fund, a Debt Service Fund. 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 Capital Debt Fund. At June 30, 2000 the total minimum lease payments to be received were \$2.6 million and the present value of the lease payments was \$2.3 million, the difference representing interest of \$.3 million. The Pennsylvania Higher Educational Facilities Authority and the State Public School Building Authority, discretely presented governmental fund component units, 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 project. 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. For discretely presented governmental fund component units, total minimum lease payments were \$6.2 billion, the present value was \$3.9 billion and interest was \$2.3 billion at June 30, 2000. The Pennsylvania Industrial Development Authority, a discretely presented proprietary fund component unit, reported a lease rental receivable with total minimum payments of \$31 million, present value of \$16 million and interest of \$15 million at June 30, 2000. Minimum lease payments for the five fiscal years succeeding June 30, 2000 are as follows (amounts in thousands):

NOTES TO FINANCIAL STATEMENTS

NOTE G— Taxes, Loans and Lease Rental Receivables (continued)

Fiscal Year Ending June 30	Primary Government	Discretely Presented Governmental Fund Component Units	Discretely Presented Proprietary Fund Component Units
2001	\$ 518	\$ 287,585	\$ 634
2002	243	289,946	634
2003	244	287,446	634
2004	244	283,142	634
2005	244	278,078	634

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, 2000 is as follows (amounts in thousands):

FUND TYPE/FUND PRIMARY GOVERNMENT	DUE FROM		DUE TO	
	OTHER FUNDS	COMPONENT UNITS	OTHER FUNDS	COMPONENT UNITS
General.....	\$ 109,598	\$ 4,085	\$ 85,834	\$ 581
Special Revenue:				
State Lottery Fund.....	-	-	51	-
State Racing Fund.....	-	-	11,544	-
Hazardous Sites Clean-up Fund.....	16,190	-	6	-
Motor License Fund.....	6,267	10	17,160	8,845
Vocational Rehabilitation Fund.....	16	-	3,174	-
Pharmaceutical Assistance Fund.....	3,739	-	-	-
Agricultural Conservation Easement Fund.....	10,129	-	-	-
Public Transportation Assistance Fund.....	3,243	-	405	-
Other Funds.....	2,142	-	5,828	-
	<u>41,726</u>	<u>10</u>	<u>38,168</u>	<u>8,845</u>
Debt Service:				
Pennsylvania Infrastructure Investment Authority Redemption Fund.....	-	25,822	-	-
Other Funds.....	42	-	15	-
	<u>42</u>	<u>25,822</u>	<u>15</u>	<u>-</u>
Capital Projects:				
Capital Facilities Fund.....	4,219	-	1	-
Keystone Recreation, Park and Conservation Fund..	4,009	-	32	-
	<u>8,228</u>	<u>-</u>	<u>33</u>	<u>-</u>
Enterprise:				
State Stores Fund.....	328	-	84,654	-
State Workmen's Insurance Fund.....	491	-	1,614	-
Rehabilitation Center Fund.....	2,530	-	113	-
Other Funds.....	-	-	15	-
	<u>3,349</u>	<u>-</u>	<u>86,396</u>	<u>-</u>
Internal Service:				
Purchasing Fund.....	17,015	1,873	239	-
Manufacturing Fund.....	5,395	3	141	-
	<u>22,410</u>	<u>1,876</u>	<u>380</u>	<u>-</u>
Expendable Trust:				
Unemployment Compensation Fund.....	2,054	273	-	-
Workmen's Compensation Security Trust Fund.....	30,545	-	25	-
Deferred Compensation Fund.....	-	-	77	-
Catastrophic Loss Benefits Continuation Fund.....	-	-	30,556	-
	<u>32,599</u>	<u>273</u>	<u>30,658</u>	<u>-</u>
Pension Trust:				
State Employees' Retirement System.....	2,456	4,530	2	-
Agency:				
Local Sales and Use Tax Fund.....	3,179	-	-	-
Allegheny Regional Asset District Sales and Use Tax Fund.....	9,239	-	237	-
Liquid Fuels Tax Fund.....	1,928	-	154	-
Other Funds.....	309	-	396	-
	<u>14,655</u>	<u>-</u>	<u>787</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT.....	\$ 235,063	\$ 36,596	\$ 242,273	\$ 9,426

NOTES TO FINANCIAL STATEMENTS

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

DISCRETELY PRESENTED COMPONENT UNITS	DUE FROM			DUE TO		
	Other Funds	Component Units	Primary Government	Other Funds	Component Units	Primary Government
Governmental.....	\$ 2,185	\$ -	\$ -	\$ 2,185	\$ -	\$ -
Proprietary:						
Pennsylvania Infrastructure Investment Authority.....	-	74	-	-	92	26,011
Pennsylvania Turnpike Commission.....	-	-	6,451	-	-	3,987
Other Funds.....	-	92	500	-	74	57
	-	166	6,951	-	166	30,055
Fiduciary:						
Public School Employes' Retirement System ...	-	-	973	-	-	1,880
College and University.....	207,193	-	-	207,193	-	4,469
TOTAL DISCRETELY PRESENTED COMPONENT UNITS	\$ 209,378	\$ 166	\$ 7,924	\$ 209,378	\$ 166	\$ 36,404

The amount of total interfund receivables of \$489,127 thousand does not agree with total interfund payables of \$497,647 thousand at June 30, 2000 due to different fiscal year ends for certain funds included in the combined balance sheet at June 30, 2000. The amount shown for the Pennsylvania Turnpike Commission, a discretely presented proprietary fund component unit, is as of its fiscal year end of May 31, 2000. The amounts shown as interfund accounts for the State Employes' Retirement System, a Pension Trust Fund, the INVEST Program for Local Governments, an Investment Trust Fund, the State Workmen's Insurance Fund, an Enterprise Fund, and the Deferred Compensation Fund, an Expendable Trust Fund, are as of their fiscal year end of December 31, 1999. The following presents a reconciliation of interfund accounts reported at June 30, 2000 and those amounts which would have been reported if all funds used the same fiscal year end (amounts in thousands):

Due from other funds - Combined Balance Sheet at June 30, 2000	\$ 444,441
Due from primary government - Combined Balance Sheet at June 30, 2000	7,924
Due from component units - Combined Balance Sheet at June 30, 2000	36,762
Interfund receivables — Combined Balance Sheet	489,127
Pennsylvania Turnpike Commission increase in receivables from June 1, 2000 to June 30, 2000.....	2,394
State Workmen's Insurance Fund increase in receivables from January 1, 2000 through June 30, 2000.....	1,719
State Employes' Retirement System increase in receivables from January 1, 2000 through June 30, 2000.....	4,729
TOTAL INTERFUND RECEIVABLES	\$ 497,969
Due to other funds - Combined Balance Sheet at June 30, 2000	\$ 451,651
Due to primary government - Combined Balance Sheet at June 30, 2000	36,404
Due to component units - Combined Balance Sheet at June 30, 2000	9,592
Interfund payables — Combined Balance Sheet	497,647
Pennsylvania Turnpike Commission increase in payables from June 1, 2000 to June 30, 2000.....	561
INVEST Program for Local Governments increase in payables from January 1, 2000 through June 30, 2000.....	4
State Employes' Retirement System increase in payables from January 1, 2000 through June 30, 2000.....	1,191
State Workmen's Insurance Fund decrease in payables from January 1, 2000 through June 30, 2000	(1,465)
Deferred Compensation Fund increase in payables from January 1, 2000 through June 30, 2000.....	31
TOTAL INTERFUND PAYABLES	\$ 497,969

NOTES TO FINANCIAL STATEMENTS

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

At June 30, 2000 the General Fund has reported Advances to Other Funds of \$20,808. Specifically, this amount has been advanced as follows: \$2,300 to the State Workmen's Insurance Fund, an Enterprise Fund, \$2,175 to the Motor License Fund, \$7,333 to the Pharmaceutical Assistance Fund, both Special Revenue Funds, and \$9,000 to the Purchasing Fund, an Internal Service Fund. These amounts have been reported by the respective owing Funds as Advances from Other Funds, except for the State Workmen's Insurance Fund, which has reported an advance of \$2,006 for its fiscal year ended December 31, 1999 (amounts in thousands).

At June 30, 2000 the Hazardous Sites Cleanup Fund, a Special Revenue Fund, has reported an Advance to Other Funds of \$3,000. This amount was advanced to the Small Business First Fund, an Enterprise Fund, which has reported an Advance from Other Funds of \$3,000 (amounts in thousands).

At June 30, 2000 the Tuition Payment Fund, an Enterprise Fund, has reported an Advance from Other Funds of \$250 thousand.

A summary of operating transfers reported for the fiscal year ended June 30, 2000 is as follows (amounts in thousands):

PRIMARY GOVERNMENT	OPERATING TRANSFERS			
	IN	FROM COMPONENT UNITS	OUT	TO COMPONENT UNITS
General.....	\$ 78,723	\$ -	\$ 873,062	\$ 833,976
Special Revenue:				
State Lottery Fund.....	-	-	260,000	-
State Racing Fund.....	-	-	11,478	-
Hazardous Sites Clean-up Fund.....	-	-	5,000	-
Motor License Fund.....	-	-	129,982	-
Vocational Rehabilitation Fund.....	35,085	-	-	-
Pharmaceutical Assistance Fund.....	284,871	-	-	-
Water Facilities Loan Fund.....	-	-	2,475	-
Environmental Stewardship Fund.....	83,375	-	-	-
Other Funds.....	44,859	-	38,184	-
	<u>448,190</u>	<u>-</u>	<u>447,119</u>	<u>-</u>
Debt Service:				
Land and Water Development Sinking Fund.....	14,287	-	-	-
Water Facilities Loan Redemption Fund.....	12,855	-	-	-
Capital Debt Fund.....	652,976	-	-	-
Pennsylvania Infrastructure Investment Authority Redemption Fund.....	25,976	-	-	-
Local Criminal Justice Sinking Fund.....	15,959	-	-	-
Agricultural Conservation Easement Sinking Fund.....	8,232	-	-	-
Keystone Recreation, Park and Conservation Fund.....	4,399	-	-	-
Disaster Relief Redemption Fund.....	7,323	-	-	-
Pennsylvania Economic Revitalization Sinking Fund.....	6,458	-	-	-
Volunteer Company Loan Sinking Fund.....	3,094	-	-	-
Other Funds.....	4,029	-	-	-
	<u>755,588</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Projects:				
Capital Facilities Fund.....	90,000	-	-	-
Enterprise:				
State Stores Fund.....	-	-	51,656	-
Small Business First Fund.....	-	-	664	-
	-	-	<u>52,320</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT.....	\$ 1,372,501	\$ -	\$ 1,372,501	\$ 833,976
DISCRETELY PRESENTED COMPONENT UNITS	IN	FROM PRIMARY GOVERNMENT	OUT	TO PRIMARY GOVERNMENT
Governmental Funds.....	\$ 213,013	\$ 36,900	\$ 213,013	\$ -
Proprietary:				
Pennsylvania Higher Education Assistance Agency.....	-	353,218	-	-
College and University Funds.....	-	443,858	-	-
TOTAL DISCRETELY PRESENTED COMPONENT UNITS.....	\$ 213,013	\$ 833,976	\$ 213,013	\$ -

NOTES TO FINANCIAL STATEMENTS

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

The following summary reconciles net governmental residual equity transfers out of \$177,464 to the reported net increase in proprietary fund contributed capital as follows (in thousands):

Net residual equity transfers	\$ 177,464
add: general obligation bond proceeds received directly by the Pennsylvania Infrastructure Investment Authority	2,004
less: amount reported by the Pennsylvania Infrastructure Investment Authority as grant revenue or reimbursement for certain administrative costs	(6,377)
less: program grants disbursed by the Pennsylvania Infrastructure Investment Authority	(2,211)
add: federal funds received by the Pennsylvania Turnpike Commission	14,792
add: federal funds received by the Pennsylvania Infrastructure Bank Fund	10,170
less: other decrease to the Rehabilitation Center Fund	(86)
less: other decrease to the Small Business First Fund	<u>(2,000)</u>
Net increase in contributed capital for proprietary fund types—primary government and discretely presented component units	<u>\$ 193,756</u>

Increases and decreases in contributed capital for proprietary fund types—primary government and discretely presented component units—during the fiscal year ended June 30, 2000 are summarized as follows (amounts in thousands):

Cash flows from capital and noncapital financing activities:	
Increases in contributed capital—primary government	\$ 37,170
Decreases in contributed capital—primary government	(86)
Increases in contributed capital—discretely presented component units	158,883
Decreases in contributed capital—discretely presented component units	<u>(2,211)</u>
Net increase in contributed capital for proprietary fund types—primary government and discretely presented component units	<u>\$ 193,756</u>

Assigned Investment Income: Certain funds, as follows, receive but do not financially report investment income which is assigned to another fund for legal or contractual reasons. Investment income and related interfund transfers are reported by those funds which assign/receive investment income for other than legal or contractual reasons (amounts in thousands).

<u>Assigning Fund</u>	<u>Receiving Fund</u>	<u>Reason</u>	<u>Amount</u>
Liquor License	General	Legal/contractual	\$ 103
Liquid Fuels Tax	Motor License	Legal/contractual	466
Land and Water Development	Land and Water Development		
	Sinking	Legal/contractual	108
Remining Financial Assurance	Land and Water Development		
	Sinking	Other	130
PA Economic Revitalization	PA Economic Revitalization		
	Sinking	Other	69
Fire Insurance Tax	State Insurance	Legal/contractual	1,081
Fire Insurance Tax	Municipal Pension Aid	Legal/contractual	290

NOTES TO FINANCIAL STATEMENTS

NOTE I—RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS

PENSION SYSTEMS

Commonwealth laws established contributory defined benefit pension plans covering substantially all Commonwealth and public school employees. Commonwealth employees are members of the State Employees' Retirement System (SERS), a blended component unit. The SERS is the only blended component unit in the financial reporting entity and it is the only pension trust fund included in the primary government. Public school employees are members of the Public School Employees' Retirement System (PSERS), a discretely presented component unit. The PSERS is the only Fiduciary Fund reported as a discretely presented component unit. Both the SERS and the PSERS issue stand-alone financial statements which are available to the public. Written requests for financial statements should be directed to the following addresses:

State Employees' Retirement System
Executive Office
P.O. Box 1147
Harrisburg, PA 17108

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

STATE EMPLOYEES' RETIREMENT SYSTEM

Plan Description: The SERS is the administrator of a cost-sharing multiple-employer defined benefit retirement system established to provide pension benefits for employees of state government and certain other organizations. At December 31, 1999 there were 106 employer state agencies and other organizations participating in the SERS. The SERS provides retirement, death, and disability benefits. Retirement benefits vest after 10 years of credited service. Employees who retire at age 60 with three years of service, or with 35 years of service if under age 60, are entitled to a normal (unreduced) annual retirement benefit. Members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50 with at least three years of service.

The general annual benefit for full retirement is 2 percent of the member's highest three-year average salary multiplied by years of service. State police troopers are entitled to an annual benefit equal to a percentage of their highest annual salary (excluding their year of retirement). The annual benefit is 75 percent of salary for 25 or more years of service and 50 percent of salary for 20-24 years of service. Judges are entitled to a benefit of 4 percent of final average salary for each of the first 10 years of service and 3 percent for subsequent years. District Justices are entitled to a benefit of 3 percent of final average salary for each year of service. The Commonwealth has the authority to establish or amend benefit provisions. Act 41, signed into law on April 2, 1998, permitted certain participants with at least 30 years of credited service to retire without a reduction in benefits from July 1, 1998 to June 30, 1999. This early retirement "window" did not require a minimum age in conjunction with length of service for a member to be eligible for full benefits.

Funding Policy: The SERS Board has the authority to establish or amend periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll. All member contribution rates are determined by Commonwealth law. The active plan member contribution rate is 5 percent of covered payroll for most employees; higher contributions are required for certain members of the General Assembly and judges and district justices who elect higher contribution rates. During each of the three years ended December 31, the annual required employer contributions (amounts in thousands) and the related percentage of that amount actually contributed are as follows:

<u>Year ended December 31</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1998	\$ 310,501	100
1997	324,093	100
1996	373,903	100

During the year ended December 31, 1999 employer contributions amounted to \$270,718 thousand; the SERS did not report an annual required contribution for the year ended December 31, 1999. At December 31, 1999, the SERS disclosed no long-term contracts for contributions to the plan.

NOTES TO FINANCIAL STATEMENTS

NOTE I— Retirement and Other Postemployment Benefits (continued)

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

Investment Valuation: Investments are reported at fair value. United States government obligations, corporate and foreign bonds and notes, and common and preferred stocks, including collective trust fund, are generally valued based on published market prices and quotations from national security exchange and securities pricing services. Securities that are not traded on a national security exchange are valued by the asset manager or third parties based on similar sales. Mortgage loans are valued by the asset manager using the present value of future cash flows. Real estate is primarily valued based on appraisals performed by independent appraisers or, for properties not appraised, at the present value of the projected future net income stream. Venture capital and alternative investments are valued based on amounts established by valuation committees. Foreign exchange contracts, which are not reported in the statement of plan net assets, are marked-to-market daily with changes in fair value recognized as part of investment income. The investment in the Commonwealth Treasury short-term investment pool is reported at cost plus allocated interest, which approximates fair value. Collateral received under the Commonwealth Treasury securities lending program is reported at cost plus accrued interest.

Investment Concentration: At December 31, 1999 the SERS owned investments totaling \$5,755,065 (in thousands) in Barclays Global Investors N.A. Equity Index Fund which represents more than 5 percent of SERS net assets available for benefits.

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Plan Description: The PSERS is a cost-sharing multiple-employer defined benefit retirement system established to provide pension and other benefits for public school employees. At June 30, 2000 there were 678 participating employers, generally school districts. The PSERS provides retirement, death, disability and health care benefits. Retirement benefits vest after 10 years of credited service. Members are eligible for full monthly retirement benefits upon reaching (a) age 62 with at least one year of service, (b) age 60 with 30 or more years of service, or (c) 35 or more years of service regardless of age.

Benefits for full retirement are generally equal to 2 percent of the member's final average salary multiplied by years of credited service. The Commonwealth has the authority to establish or amend benefit provisions.

Funding Policy: The Public School Employees' Retirement Code provides that the PSERS Board has the authority to establish or amend periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll. The active plan member contribution rate for employees hired before July 22, 1983 is 5.25 percent of covered payroll; for employees hired after July 21, 1983, the rate is 6.25 percent. Member contribution rates are determined by Commonwealth law.

Effective July 1, 1995, employers defined as school entities (school districts, area vocational-technical schools, and intermediate units) are required to pay the entire employer contribution. The Commonwealth partially reimburses school entities in accordance with Act 29 of 1994. The amount of reimbursement is at least one half of the total employer contribution. For employers which are not school entities, the employer contribution is paid equally by the employer and the Commonwealth to the PSERS; no Commonwealth reimbursement occurs.

During each of the three fiscal years ended June 30, the annual required employer contributions (in thousands) and the related percentage of that amount actually contributed are as follows:

<u>Fiscal year</u> <u>Ended June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2000	\$390,504	100
1999	\$513,940	100
1998	\$718,431	100

At June 30, 2000, the PSERS disclosed no long-term contracts for contributions to the plan.

NOTES TO FINANCIAL STATEMENTS

NOTE I— Retirement and Other Postemployment Benefits (continued)

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

Investment Valuation: Investments are reported at fair value, which is the amount that the PSERS can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. Short-term securities are reported at cost, which approximates fair value, unless they have a published market price or quotation from national security exchanges and securities pricing services, in which case they are reported at the published market price. Fixed income securities and common and preferred stocks are generally reported based on published market prices and quotations from national security exchanges and securities pricing services. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on similar sales. Real estate and farmland are primarily valued based on appraisals performed by independent appraisers or, for properties not appraised, at the present value of projected future net income. Private equity/venture capital, equity real estate and private placements are reported based on amounts established by independent advisors. Futures contracts, foreign exchange contracts, and options are marked-to-market daily; changes in market value are recognized as part of net appreciation (depreciation) in fair value of investments. Initial margin requirements for such financial instruments are provided by investment securities pledged as collateral or by cash held in a broker margin account.

Investment Concentration: At June 30, 2000 there were no investments in any one organization that represented 5 percent or more of plan net assets.

OTHER POSTEMPLOYMENT BENEFITS

The Commonwealth funds certain health care benefits for retired primary government and certain component unit employees (that meet specified length-of-service and age requirements) and their eligible dependents. These benefits are provided as a result of negotiated union contracts and through administrative policy. The Commonwealth recognizes the cost of providing these benefits as paid, which totaled \$222 million for the fiscal year ended June 30, 2000. Approximately 84,000 individuals were covered by these benefits during the fiscal year.

The Commonwealth provides several other postemployment benefits, including disability life insurance and certain benefits to beneficiaries of state police officers killed in the line of duty. The amount expended for these benefits was not material during the fiscal year ended June 30, 2000.

NOTES TO FINANCIAL STATEMENTS

NOTE J—NOTES AND DEMAND REVENUE BONDS PAYABLE

Primary Government

During the fiscal year ended June 30, 1997, the Commonwealth issued General Obligation Bond Anticipation Notes, Series 1997 A (notes), pursuant to a resolution adopted on February 18, 1997, in anticipation of the issuance of general obligation bonds of the Commonwealth. No general obligation bonds to retire the notes were issued during the 1996-97 or the 1997-98 fiscal year. During the fiscal years ended June 30, 1999 and June 30, 2000, general obligation bonds were issued to retire a portion of the notes. Also during these fiscal years, additional notes were issued under the original resolution. The notes bear interest at varying rates, not to exceed 9 percent per annum. Bond anticipation notes outstanding at June 30, 2000 reported by the Capital Facilities Fund, a capital projects fund, and the Disaster Relief Fund, a special revenue fund, are \$30.9 million and \$500 thousand, respectively.

Discretely Presented Component Units

The Pennsylvania Higher Education Assistance Agency (PHEAA), a proprietary fund component unit, has reported \$1,046.0 million of demand revenue bonds outstanding and \$894.9 million of notes payable consisting of student loan financing of \$765.7 million, other lines of credit of \$34.7 million and other notes and bonds payable of \$94.5 million at June 30, 2000 as follows (amounts in thousands):

Demand student loan revenue bonds payable, due 2018-2030, at a weighted average interest rates of 5.10 and 2.68 percent at June 30, 2000 and 1999, respectively.....	\$ 1,046,000
Student loan financing notes payable, due in 2001-2007, at a weighted average rates of 6.44 and 5.35 percent at June 30, 2000 and 1999, respectively	765,703
Other lines of credit, due 2001-2005, at a weighted average interest rates of 6.49 and 5.87 percent at June 30, 2000 and 1999, respectively	34,698
Other notes and bonds payable, due 2001-2031, at a weighted average interest rates of 6.11 and 5.80 percent at June 30, 2000 and 1999, respectively	<u>94,493</u>
Total.....	<u>\$ 1,940,894</u>

The note and bond indentures among other things require PHEAA to comply with various covenants including minimum parity levels as defined, student loan and investment yields, and program expenses. The demand bonds payable are subject to purchase, at par plus accrued interest, by PHEAA on demand of the bondholders upon seven days prior irrevocable written notice. Under the irrevocable letters of credit issued by the Student Loan Marketing Association, the trustee is entitled to draw an amount sufficient to pay the purchase price of the bonds delivered to it. The letters of credit are valid from 2001 through 2030. The PHEAA is required to pay annual commitment fees ranging from 12 to 45 basis points on the stated amount of the letter of credit coverage. At June 30, 2000 total letter of credit coverage was \$1.7 billion.

All student loan financing notes payable, demand student loan revenue bonds payable and student loan revenue bonds payable are collateralized by student loans and investments. At June 30, 2000, \$2.65 billion of debt is collateralized by \$2.4 billion of student loan principal and related interest receivable, and \$392.0 million of investments. The other notes and bonds payable are collateralized with operational assets. Amounts due under the lines of credit are collateralized with accounts receivable and student loans. As of June 30, 2000 the PHEAA has \$39.3 million of available credit under student loan financing arrangements and \$7.3 million available under other lines of credit.

NOTES TO FINANCIAL STATEMENTS

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

Stated maturities of notes and bonds payable for each of the five years subsequent to June 30, 2000 and through maturity are as follows (amounts in thousands):

<u>Year of Maturity</u>	<u>Demand Student Loan Revenue Bonds Payable</u>	<u>Student Loan Financing Notes Payable</u>	<u>Other Notes and Bonds Payable</u>
2001	\$ -	\$ 139,323	\$ 1,801
2002	-	-	846
2003	-	-	653
2004	-	-	1,236
2005	-	591,380	1,145
2006-31	<u>1,046,000</u>	<u>35,000</u>	<u>88,812</u>
Total	<u>\$ 1,046,000</u>	<u>\$ 765,703</u>	<u>\$ 94,493</u>

Notes and bonds payable, as well as all other debt, are limited obligations of the PHEAA. PHEAA has no taxing power and the Commonwealth is not obligated to pay principal, redemption price, if any, or interest on any of the PHEAA's debt.

The Pennsylvania Housing Finance Agency (PHFA), a proprietary fund component unit, maintains a line of credit with the Pennsylvania Treasury Department under which it may borrow up to \$15 million to fund its multi-family housing program. The 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, 2000, nothing is owed against this line of credit. The PHFA also maintains a \$100 million note for funding of the Hafer Homebuyer Program, bearing interest from the date of issuance at a rate equal to the Treasury Department's daily short-term investment pool rate. At June 30, 2000, \$1.1 million is owed at a rate of 6.72 percent against this note. Total reported notes payable at June 30, 2000 for the PHFA is \$6.1 million.

NOTES TO FINANCIAL STATEMENTS

NOTE K— LONG-TERM OBLIGATIONS

Long-term obligations of the Commonwealth's primary government at June 30, 2000 and changes for the fiscal year ended are as follows (amounts in thousands):

GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP	Issue Dates	Interest Rates	Maturity Dates Through	Bonds Authorized But Unissued	Balance July 1, 1999	Additions	Reductions	Balance June 30, 2000	
General Obligation Bonds Payable From Tax Revenues:									
Capital Facilities	1971-00	4.47-10.16%	2020	\$ 32,677,905	\$ 3,047,825	\$ 564,000	\$ 284,085	\$ 3,327,740	
Disaster Relief	1973-00	4.91- 5.56%	2017	108,908	24,520	23,000	5,655	41,865	
Land and Water Development	1971-94	4.89- 6.60%	2014	300	44,345	-	12,540	31,805	
Nursing Home Loan Development	1983	8.26%	2002	31,000	2,125	-	525	1,600	
Project 70 Land Acquisition	-	-	-	-	770	-	770	-	
Volunteer Companies Loan	1982-98	4.84-10.75%	2018	-	24,350	-	1,825	22,525	
Vietnam Conflict Veterans Compensation									
Compensation	1974	5.36%	2003	3,000	4,235	-	2,465	1,770	
Water Facilities Loan	1983-97	4.89- 8.26%	2017	11,500	112,715	-	6,840	105,875	
Pennsylvania Economic Revitalization	1991-95	5.04- 6.60%	2015	14,000	32,895	-	4,660	28,235	
Pennsylvania Infrastructure Investment Authority									
Investment Authority	1991-99	4.72- 6.60%	2019	273,000	251,990	2,000	14,880	239,110	
Agricultural Conservation Easement Purchase									
Purchase	1991-98	4.47- 6.60%	2018	-	74,835	-	4,320	70,515	
Local Criminal Justice	1992-98	4.47- 6.60%	2018	11,000	159,295	-	7,170	152,125	
Keystone Recreation, Park and Conservation									
Conservation	1994-98	4.84- 6.60%	2018	-	45,580	-	1,940	43,640	
Refunding Bonds	1991-97	5.12- 6.60%	2011	-	1,428,134	3,357	131,675	1,299,816	
					<u>33,130,613</u>	<u>5,253,614</u>	<u>479,350</u>	<u>5,366,621</u>	
Other General Long-Term Obligations Payable From Tax Revenues:									
Installment Purchase Obligations	-	-	-	-	33,690	13,868	9,504	38,054	
Capital Lease Obligations	-	-	-	-	54,163	688	2,353	52,498	
Obligations Under Master Lease Agreement—Equipment									
Agreement—Equipment	-	-	-	-	6,755	-	6,075	680	
Obligations Under Master Lease—Prison Facilities									
Prison Facilities	-	-	-	-	653,480	-	28,845	624,635	
Self-Insurance—Note O	-	-	-	-	589,519	109,372	111,837	587,054	
Compensated Absences	-	-	-	-	626,090	344,807	302,976	667,921	
Catastrophic Motor Vehicle Losses	-	-	-	-	184,159	-	21,954	162,205	
Other	-	-	-	-	488,583	95,232	292,291	291,524	
					<u>2,636,439</u>	<u>563,967</u>	<u>775,835</u>	<u>2,424,571</u>	
TOTAL GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP					<u>\$ 33,130,613</u>	<u>\$ 7,890,053</u>	<u>\$ 1,156,324</u>	<u>\$ 1,255,185</u>	<u>\$ 7,791,192</u>

Long-term obligations of the discretely presented component unit organizations at June 30, 2000 (May 31, 2000 for the Pennsylvania Turnpike Commission) and changes for the fiscal year then ended are as follows (amounts in thousands):

GOVERNMENTAL FUNDS

Bonds Payable from Lease Rentals:

Pennsylvania Higher Educational

Facilities Authority	1969-00	2.70- 9.63%	2031	\$ 3,445,198	\$ 190,483	\$ 102,767	\$ 3,532,914
State Public School Building Authority	1986-00	2.60- 7.88%	2021	347,470	113,989	27,706	433,753
TOTAL GOVERNMENTAL FUNDS				<u>3,792,668</u>	<u>304,472</u>	<u>130,473</u>	<u>3,966,667</u>

PROPRIETARY FUNDS

Revenue Bonds Payable from User Charges:

Pennsylvania Higher Education Assistance Agency								
Assistance Agency	1984-92	6.49%	2026	837,785	-	3,380	834,405	
Pennsylvania Housing Finance Agency								
Housing Finance Agency	1982-99	2.88-11.00%	2030	2,749,349	443,575	288,026	2,904,898	
Pennsylvania Industrial Development Authority								
Industrial Development Authority	1994-96	4.75- 7.00%	2014	373,810	-	22,585	351,225	
Pennsylvania Turnpike Commission								
Turnpike Commission	1991-98	2.50-6.60%	2028	1,581,310	-	36,775	1,544,535	
Pennsylvania Infrastructure Investment Authority								
Infrastructure Investment Authority	1990-98	4.00- 7.15%	2014	186,900	-	12,135	174,765	
				<u>5,729,154</u>	<u>443,575</u>	<u>362,901</u>	<u>5,809,828</u>	
Less: Bond discounts	-	-	-	52,460	4,320	5,835	50,945	
Deferred costs of refunding	-	-	-	8,640	4,280	654	12,266	
				<u>5,668,054</u>	<u>434,975</u>	<u>356,412</u>	<u>5,746,617</u>	

TOTAL PROPRIETARY FUNDS					<u>5,668,054</u>	<u>434,975</u>	<u>356,412</u>	<u>5,746,617</u>
TOTAL COMPONENT UNIT LONG-TERM OBLIGATIONS					<u>\$ 9,460,722</u>	<u>\$ 739,447</u>	<u>\$ 486,885</u>	<u>\$ 9,713,284</u>

NOTES TO FINANCIAL STATEMENTS

NOTE K— Long-Term Obligations (continued)

Primary Government

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 total "Additions" of \$592,357 for General Obligations Bonds Payable from Tax Revenues at June 30, 2000, as reported in Note K, differs from total bond proceeds of \$590,731 for Governmental Fund Types, as reported in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances, by \$1,626. This difference includes premium on bonds issued of \$3,731, less bond proceeds for non-governmental funds of \$2,000 and less principal accretion for capital appreciation bonds of \$3,357 (amounts in thousands).

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

The balance outstanding at June 30, 2000 in the General Long-Term Obligations Account Group for Refunding Bonds includes \$19.6 million of accreted value for capital appreciation bonds. No principal or interest is payable on the capital appreciation bonds until maturity.

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

Workmen's Compensation Security Trust Claims.....	\$ 196,292
Public Utility Realty Tax Act (PURTA).....	53,000
Litigation—Note P	41,744
Arbitrage Rebate Tax	488
	<u>\$ 291,524</u>

The Workmen's Compensation Security Trust Fund provides for payment of valid claims under the Workmen's Compensation Law to individuals whose employers are insured by insolvent insurance carriers. The PURTA provides for a tax on utility realty property whereby amounts received during the fiscal year are used as a General Fund revenue source. The Act also provides for payment of a majority of the PURTA revenues as a distribution to local taxing authorities during the following fiscal year (normally in October). Such payments are appropriated for expenditure in the following fiscal year and are, therefore, not expendable during the fiscal year the related revenue is received. The decrease in the amount of PURTA liability from \$136.7 million at June 30, 1999 to \$53 million reported above, results from Act 4 of 1999 which removed, after December 31, 1999, electricity generation facilities from the definition of public utility property, thereby reducing the PURTA tax base. The other amounts included in the General Long-Term Obligations Account Group at June 30, 2000 relating to Workmen's Compensation Claims, Litigation and Arbitrage Rebate Tax are not payable with currently expendable available financial resources.

In 1991, the Commonwealth entered into lease arrangements with five local government authorities for the rental of five new prisons. Each authority issued bonds to finance the construction of the prisons. Each lease provided for the Commonwealth to pay periodic rentals equal to debt service payments on each authority's debt obligation. On July 1, 1993 a finance corporation issued certificates of participation to refund the authority debt obligations, to consolidate the financing of the prisons and to provide additional construction funding. As a result of the consolidated financing, the Commonwealth makes lease payments equal to the finance corporation's debt service payments. Both the original and the new leases provide that the Commonwealth's obligation to make lease payments is subject to Commonwealth appropriations made to provide for these obligations. In the fiscal year ended June 30, 1994 the Commonwealth began using the new prison facilities. The finance corporation holds nominal title to the facilities as security for the Commonwealth lease payments. When the certificates are fully redeemed, at which time the lease agreement expires, legal title vests with the Commonwealth. At June 30, 2000 the Commonwealth has reported \$624.6 million as a liability under prison master lease arrangements and has reported general fixed assets for the related prison facilities.

The Commonwealth's constitutional debt limit, which allows for the incurrence of debt to be used for capital projects without electorate approval as specifically itemized in a capital budget, was \$38.7 billion as of August 31, 2000, with net debt outstanding of \$4.1 billion.

Discretely Presented Component Units

The Pennsylvania Housing Finance Agency (PHFA), the Pennsylvania Higher Education Assistance Agency (PHEAA), the Pennsylvania Industrial Development Authority, the Pennsylvania Turnpike Commission (PTC) and the Pennsylvania Infrastructure Investment Authority, discretely presented proprietary fund component units, have pledged substantially all of their revenues for the redemption of revenue bonds outstanding. Revenue bonds outstanding as reported in this note

NOTES TO FINANCIAL STATEMENTS

NOTE K— Long-Term Obligations (continued)

disclosure for the fiscal year ended June 30, 2000 (May 31, 2000 for the PTC) include bond discounts and deferred costs of refunding of \$50.9 million and \$12.3 million, respectively.

The Pennsylvania Higher Educational Facilities Authority and the State Public School Building Authority (SPSBA), discretely presented governmental fund component units, have bonds outstanding as of June 30, 2000 which are payable from the lease rentals of the projects financed. The lease rentals are pledged as collateral for the bonds outstanding.

At June 30, 2000 the SPSBA reported \$242 thousand in other general long-term obligations which represents a liability for compensated absences.

The following table presents annual principal and interest payments for long-term debt outstanding for the primary government and discretely presented component units at June 30, 2000 (May 31, 2000 for the Pennsylvania Turnpike Commission) (amounts in thousands):

	2001	2002	2003	2004	2005	2006 Through Maturity	Total
PRIMARY GOVERNMENT							
GENERAL OBLIGATION BONDS:							
Capital Facilities.....	\$ 450,882	\$ 401,109	\$ 338,305	\$ 314,714	\$ 299,603	\$ 3,044,213	\$ 4,848,826
Disaster Relief.....	9,490	9,455	9,418	2,444	2,373	22,470	55,650
Land and Water Development.....	13,565	7,926	4,554	1,153	1,146	9,298	37,642
Nursing Home Loan Development.....	596	549	550	-	-	-	1,695
Volunteer Companies Loan.....	2,987	2,907	2,520	2,061	2,040	19,386	31,901
Vietnam Conflict Veterans Compensation.....	477	482	487	491	-	-	1,937
Water Facilities Loan.....	12,630	12,200	11,407	10,781	10,722	92,296	150,036
Pennsylvania Economic Revitalization...	6,323	5,393	2,394	2,385	2,375	19,331	38,201
Pennsylvania Infrastructure Investment Authority.....	26,816	26,154	24,923	24,657	24,434	214,932	341,916
Agricultural Conservation Easement Purchase.....	8,137	7,776	7,308	7,221	7,124	63,328	100,894
Local Criminal Justice.....	15,945	15,927	15,914	15,903	15,879	143,791	223,359
Keystone Recreation, Park and Conservation.....	4,360	4,322	4,289	4,244	4,210	44,485	65,910
Refunding Bonds.....	199,750	199,881	218,002	208,626	173,061	652,698	1,652,018
Total Principal and Interest.....	751,958	694,081	640,071	594,680	542,967	4,326,228	7,549,985
Less: Interest Payments.....	274,958	251,391	229,677	208,147	194,503	1,024,688	2,183,364
	477,000	442,690	410,394	386,533	348,464	3,301,540	5,366,621
Other General Long-Term Obligations ...	179,129	125,212	123,526	124,414	124,849	1,747,441	2,424,571
TOTAL GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP	\$ 656,129	\$ 567,902	\$ 533,920	\$ 510,947	\$ 473,313	\$ 5,048,981	\$ 7,791,192
DISCRETELY PRESENTED COMPONENT UNITS							
GOVERNMENTAL FUNDS:							
Other Bonds:							
Pennsylvania Higher Educational Facilities Authority.....	\$ 245,190	\$ 246,533	\$ 245,217	\$ 241,900	\$ 238,328	\$ 4,423,003	\$ 5,640,171
State Public School Building Authority..	46,701	47,743	46,534	45,489	43,933	386,612	617,012
Total Principal and Interest.....	291,891	294,276	291,751	287,389	282,261	4,809,615	6,257,183
Less: Interest Payments.....	164,175	161,616	156,179	150,978	145,257	1,512,311	2,290,516
TOTAL GOVERNMENTAL FUNDS	\$ 127,716	\$ 132,660	\$ 135,572	\$ 136,411	\$ 137,004	\$ 3,297,304	\$ 3,966,667
PROPRIETARY FUNDS:							
Revenue Bonds:							
Pennsylvania Higher Education Assistance Agency.....	\$ 336,534	\$ 36,360	\$ 36,360	\$ 36,359	\$ 36,360	\$ 1,036,079	\$ 1,518,052
Pennsylvania Housing Finance Agency..	236,931	237,778	236,209	229,950	232,411	4,552,525	5,725,804
Pennsylvania Industrial Development Authority.....	43,006	42,525	42,399	42,243	41,623	286,229	498,025
Pennsylvania Turnpike Commission.....	120,415	120,457	120,806	120,477	121,357	2,024,385	2,627,897
Pennsylvania Infrastructure Investment Authority.....	22,215	21,286	21,024	20,834	21,388	121,095	227,842
Total Principal and Interest.....	759,101	458,406	456,798	449,863	453,139	8,020,313	10,597,620
Less: Interest Payments.....	328,244	311,267	303,815	292,249	287,453	3,264,764	4,787,792
TOTAL PROPRIETARY FUNDS	430,857	147,139	152,983	157,614	165,686	4,755,549	5,809,828
TOTAL COMPONENT UNITS	\$ 558,573	\$ 279,799	\$ 288,555	\$ 294,025	\$ 302,690	\$ 8,052,853	\$ 9,776,495

NOTES TO FINANCIAL STATEMENTS

NOTE K— Long-Term Obligations (continued)

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 Capital Lease Obligations. In addition, the Commonwealth also makes purchases using installment purchase arrangements. The following is a schedule by fiscal year of future minimum payments under capital leases and installment purchase obligations, together with the present value of the net minimum lease payments as of June 30, 2000 (amounts in thousands):

Fiscal year ending June 30	Primary Government			Discretely Presented Component Units		
	General Long-Term Obligations	Master Lease Obligations Prison Facilities	Equipment	Installment Purchase Obligations	Pennsylvania Higher Education Assistance Agency	College and University Funds
2001	\$ 7,310	\$ 61,454	\$ 697	\$ 18,011	\$ 6,099	\$ 38,271
2002	7,126	61,387	-	8,704	6,498	37,620
2003	6,527	61,337	-	7,380	52,730	36,335
2004	6,231	61,287	-	3,622	-	36,039
2005	6,190	61,224	-	680	-	35,519
Later years	68,485	582,152	-	4,758	-	517,236
Total minimum lease payments	101,869	888,841	697	43,155	65,327	701,020
Less: amount representing estimated executory cost included in minimum lease payments	12,962	-	-	-	-	-
Net minimum lease payments and installment purchases	88,907	888,841	697	43,155	65,327	701,020
Less: amount representing interest	36,409	264,206	17	5,101	13,397	283,335
TOTAL CAPITAL LEASE AND INSTALLMENT PURCHASE OBLIGATIONS..	\$ 52,498	\$ 624,635	\$ 680	\$ 38,054	\$ 51,930	\$ 417,685

At June 30, 2000 general fixed assets included \$95.8 million of buildings and \$2.6 million of equipment being procured by capital leases. A total of \$52.1 million in general fixed assets is being procured by vendor-financed installment purchase arrangements.

Capital lease obligations outstanding as of June 30, 2000 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, 2000.

The Commonwealth has entered into three 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. At June 30, 2000, \$12.8 million in general fixed assets is being procured by these master lease arrangements.

Conduit Debt

The Pennsylvania Economic Development Financing Authority (PEDFA) finances projects on behalf of local industrial and commercial development authorities to promote economic growth within the Commonwealth. Revenue bonds issued by the PEDFA represent limited obligations payable solely from Authority financed project revenues. At June 30, 2000 the PEDFA has \$1,249.7 million of debt outstanding. Neither PEDFA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds are included in the accompanying financial statements.

The Pennsylvania Energy Development Authority (PEDA) finances 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 trustees to the entity served by the bond issuance. The PEDA has \$106.8 million in revenue bonds outstanding at June 30, 2000. The Commonwealth has no obligation for this debt. Accordingly, neither the financed assets nor the bonds are included in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE L—REFUNDED DEBT

Primary Government

In prior years, the Commonwealth defeased certain general obligation bonds by placing the proceeds of refunding bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. At June 30, 2000, \$467.0 million of general obligation bonds outstanding that were previously accounted for in the General Long-Term Obligations Account Group have been defeased through advance refundings.

Discretely Presented Component Units

During the fiscal year ended June 30, 2000 the State Public School Building Authority (SPSBA) and the Pennsylvania Higher Educational Facilities Authority (PHEFA), governmental fund component units, issued revenue bonds to advance and current refund \$2.4 million and \$8.9 million, respectively, of previously issued revenue bonds as follows (amounts in thousands):

<u>Category</u>	College Revenue Bonds Butler County Community College Series D of 2000	Moravian College Revenue Bonds Series E-2 of 1999
Issuing Authority.....	SPSBA	PHEFA
Bond Type.....	Revenue	Revenue
Date Issued.....	03-15-00	11-23-99
Refunding Bonds Principal.....	\$16,534	\$4,200
Interest Rate (Refunding).....	5.97%	Variable
Refunded Series.....	College Revenue Bonds Butler County Community College Series L of 1992	Moravian College Revenue Bonds Series K of 1992*
Refunded Bonds Principal.....	\$2,390	\$95
Interest Rate (Refunded).....	5.90%	Variable
Payment to Escrow Agent.....	\$2,416	\$95
Debt Service Savings (Loss).....	\$81	**
Economic Gain (Loss).....	\$56	**
	Philadelphia University Revenue Note Series 1999	Philadelphia University Revenue Bonds Series 2000
Issuing Authority.....	PHEFA	PHEFA
Bond Type.....	Revenue Note	Revenue
Date Issued.....	09-30-99	04-20-00
Refunding Bonds Principal.....	\$6,800	\$17,760
Interest Rate (Refunding).....	Variable	6.30%
Refunded Series.....	Philadelphia College of Textiles and Science College Revenue Bonds Series of 1997*	Philadelphia University Revenue Note Series 1999*
Refunded Bonds Principal.....	\$3,500	\$5,334
Interest Rate (Refunded).....	Variable	Variable
Payment to Escrow Agent.....	\$3,594	\$5,334
Debt Service Savings (Loss).....	***	***
Economic Gain.....	***	***

* Current refunding.

** Since refunding and refunded bonds are variable and principal outstanding was only \$95, there was no savings analysis prepared.

*** Both the 1997 bonds and the 1999 notes were issued as bridge loans through banks until the 2000 bonds were issued.

NOTES TO FINANCIAL STATEMENTS

NOTE L— Refunded Debt (continued)

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.

The PHEFA reported advance and current refundings in their component unit financial statements for Seton Hill College and Cabrini College, 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 the PHEFA did not issue any new debt, these were not advance or current refunding transactions of the PHEFA. Furthermore, there were no debt service savings nor any economic gain or loss to the PHEFA.

At June 30, 2000, \$563.4 million of bonds outstanding, that were previously accounted for in their General Long-Term Obligations Account Group, have been defeased through advance refundings, for the PHEFA and the SPSBA. Included are \$507.7 million for the PHEFA and \$55.7 million for the SPSBA.

During the fiscal year ended June 30, 2000, the Pennsylvania Housing Finance Agency (PHFA), a proprietary fund component unit, redeemed prior to maturity \$72.4 million of Single Family Mortgage Revenue Bonds, Series Z, 1990-28, 1990-29, 1991-30, 1991-31, 1992-33, 1994-38, 1994-41, 1994-42, 1995-44, 1995-45, 1996-47, 1996-48, 1996-50, 1996-51, 1996-52, 1996-53, 1997-54, 1997-56, 1997-57, 1997-58, 1997-59, 1997-60, 1997-61, 1997-62, 1998-64, 1999-65 and 1999-66, using mortgage prepayments. Extraordinary losses of \$697 thousand resulted from the redemptions as unamortized bond discount and related costs of issuance for the bonds redeemed were expensed. In addition, the PHFA redeemed prior to maturity \$159.4 million of Single Family Mortgage Revenue Bonds, Series S, T, W, Y, and Z, and 1990-27, 1990-28, and 1990-29, using bond proceeds. Although a deferred loss of \$3.7 million resulted from the refundings, the PHFA obtained an economic gain of \$44.9 million and was able to reduce its aggregate debt service payments as a result of these transactions by a total of \$81.2 million over the next 25 years from the current refundings.

At June 30, 2000, \$7.1 million of bonds outstanding, that were previously accounted for in the financial statements of the PHFA, have been defeased through refundings.

At May 31, 2000, \$724 million of bonds outstanding, that were previously accounted for in the financial statements of the Pennsylvania Turnpike Commission, a proprietary fund component unit, have been defeased through refundings.

At June 30, 2000, \$12.4 million of bonds outstanding, that were previously accounted for in the financial statements of the Pennsylvania Infrastructure Investment Authority, a proprietary fund component unit, have been defeased through refundings.

At June 30, 2000, \$107.7 million of bonds outstanding, that were previously accounted for in the financial statements of the Pennsylvania Industrial Development Authority, a proprietary fund component unit, have been defeased through refundings.

At June 30, 2000, \$99.9 million of bonds outstanding, that were previously accounted for in the financial statements of the State System of Higher Education, a college and university fund component unit, have been defeased through refundings.

NOTES TO FINANCIAL STATEMENTS

NOTE M—RECONCILIATION OF BUDGETARY AND GAAP BASIS AMOUNTS

The Commonwealth adopts formal annual budgets for the General and five Special Revenue Funds (Motor License, State Lottery, Workmen's Compensation Administration, Banking Department, and Milk Marketing). 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 (amounts in thousands):

	<u>General Fund</u>	<u>Special Revenue Funds</u>
BUDGETARY BASIS:		
Budgetary basis — revenues and other sources over expenditures and other uses	\$ 163,000	\$ 114,612
Adjustments:		
To adjust revenues, other financing sources and related receivables and deferred revenue	1,050,316	1,558,155
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	(2,641,102)	(2,030,606)
To adjust encumbrances	<u>2,951,486</u>	<u>391,006</u>
Net adjustments	<u>1,360,700</u>	<u>(81,445)</u>
NONBUDGETED FUNDS:		
GAAP basis — revenues and other sources under expenditures and other uses	-	<u>37,751</u>
TOTAL ALL FUNDS:		
GAAP basis — revenues and other sources over expenditures and other uses	<u>\$ 1,523,700</u>	<u>\$ 70,918</u>

NOTES TO FINANCIAL STATEMENTS

NOTE N — SEGMENT INFORMATION

The Commonwealth's Primary Government has seven major Enterprise Funds that provide for a variety of loan programs to business and government organizations, workmen's compensation insurance services, liquor sales and capital development loans. The following is a summary of selected financial information related to these Enterprise Funds (amounts in thousands):

	Tuition Payment	Small Business First	State Workmen's Insurance (Dec. 31, 1999)	State Stores (Jun. 27, 2000)	Volunteer Company Loan	Minority Business Development	Machinery and Equipment Loan	Other Enterprise Funds	Total Enterprise Funds
Operating revenues.....	\$ 49,818	\$ 5,286	\$ 87,738	\$ 876,308	\$ 2,795	\$ 517	\$ 2,673	\$ 23,708	\$ 1,048,843
Depreciation.....	-	-	453	2,632	-	-	-	2,395	5,480
Operating income.....	1,608	4,047	10,812	75,324	2,657	896	2,131	1,637	99,112
Operating transfers out.....	-	664	-	51,656	-	-	-	-	52,320
Net income.....	1,608	3,383	10,812	31,538	2,657	896	2,131	2,560	55,585
Increase in contributed capital.....	-	25,000	-	-	-	-	2,000	10,084	37,084
Acquisition and construction of capital assets.....	-	-	6	7,111	-	-	-	2,337	9,454
Net increase (decrease) in cash.....	520	(321)	133	764	(50)	491	(189)	(48)	1,300
Total assets.....	196,042	107,606	1,837,941	301,008	111,002	5,685	55,667	72,819	2,687,770
Bonds and other long-term liabilities payable from operating revenues.....	-	-	1,137,459	-	-	-	-	-	1,137,459
Total fund equity.....	25,164	104,451	192,968	109,469	110,940	5,473	55,645	65,995	670,105
Net working capital.....	98,475	51,148	86,710	92,739	14,140	3,067	19,990	49,786	416,055

NOTES TO FINANCIAL STATEMENTS

NOTE O—SELF-INSURANCE

The Commonwealth is self-insured for statutory workers' compensation, which includes indemnity and medical benefits (employe disability), for its employes injured on the job. The Commonwealth is also self-insured for annuitant medical/hospital claims and for tort liability claims. Major tort risks include automobile, employe and general torts. For property losses, the Commonwealth has \$1 million retention with excess commercial insurance coverage up to \$134 million per occurrence. The Commonwealth is also self-insured for claims against the Department of Transportation (transportation claims). The Commonwealth has established various administrative policies that are intended to avoid or limit the aforementioned risks.

There were no reductions in commercial insurance coverage during the fiscal year ended June 30, 2000. No settlements exceeded commercial insurance coverage during each of the past three fiscal years.

The accrued liabilities for employe disability and annuitant medical/hospital claims are determined by an actuary in accordance with accepted actuarial principles. The accrued liability for employe disability was calculated including the effects of changes in statutory benefits from Act 44 of 1993 and Act 57 of 1997. Accrued liabilities for tort and transportation claims are established based on reserves computed from the Commonwealth's claim experience; such claims are not discounted. These liabilities include liabilities for allocated claim adjustment expenditures/expenses and include salvage and subrogation. Salvage and subrogation were not material for the fiscal year ended June 30, 2000. No accrued liability has been reported for property losses.

At June 30, 2000 the accrued liabilities which will be paid with current expendable available financial resources are reported in the General Fund and the Motor License Fund, a Special Revenue fund. Those liabilities which will not be paid with current expendable available financial resources at June 30, 2000 are reported in the General Long-Term Obligations Account Group (GLTOAG). All accrued self-insurance liabilities at June 30, 2000 are summarized as follows (amounts in thousands):

	General Fund	Motor License Fund	GLTOAG	Total
Employe disability	\$ 71,954	\$ -	\$ 279,847	\$ 351,801
Annuitant medical/hospital	32,205	-	-	32,205
Automobile tort	3,800	-	14,027	17,827
Employe tort.....	3,700	-	25,542	29,242
General tort.....	2,100	-	34,307	36,407
Transportation	-	20,800	233,331	254,131
Totals.....	<u>\$ 113,759</u>	<u>\$ 20,800</u>	<u>\$ 587,054</u>	<u>\$ 721,613</u>

The following summary provides aggregated information on prior year reported self-insurance liabilities; incurred claims and payments during the fiscal year ended June 30, 2000 and reported self-insurance liabilities at June 30, 2000 (amounts in thousands):

	June 30, 1999 Liability	Incurred Claims		Payments		June 30, 2000 Liability
		Current	Prior	Current	Prior	
Employe disability.....	\$ 366,785	\$ 33,726	\$ 16,869	\$ 5,630	\$ 59,949	\$ 351,801
Annuitant medical/hospital...	32,630	254,455	-	222,250	32,630	32,205
Automobile tort	16,740	1,600	2,785	784	2,514	17,827
Employe tort.....	27,931	232	4,290	-	3,211	29,242
General tort.....	35,931	870	918	17	1,295	36,407
Transportation	245,952	4,448	20,188	495	15,962	254,131
Totals.....	<u>\$ 725,969</u>	<u>\$ 295,331</u>	<u>\$ 45,050</u>	<u>\$ 229,176</u>	<u>\$ 115,561</u>	<u>\$ 721,613</u>

NOTES TO FINANCIAL STATEMENTS

NOTE O—Self-Insurance (continued)

The following summary provides aggregated information on June 30, 1998 self-insurance liabilities; incurred claims and payments during the fiscal year ended June 30, 1999 and reported self-insurance liabilities at June 30, 1999 (amounts in thousands):

	June 30, 1998	Incurred Claims		Payments		June 30, 1999
	<u>Liability</u>	<u>Current</u>	<u>Prior</u>	<u>Current</u>	<u>Prior</u>	<u>Liability</u>
Employee disability.....	\$ 423,328	\$ 38,195	\$ (35,549)	\$ 5,040	\$ 54,149	\$ 366,785
Annuitant medical/hospital...	33,452	227,291	-	194,661	33,452	32,630
Automobile tort.....	13,710	884	4,354	590	1,618	16,740
Employee tort.....	23,100	982	4,951	95	1,007	27,931
General tort.....	32,768	414	3,611	24	838	35,931
Transportation.....	213,365	2,569	46,470	408	16,044	245,952
Totals.....	<u>\$ 739,723</u>	<u>\$ 270,335</u>	<u>\$ 23,837</u>	<u>\$ 200,818</u>	<u>\$ 107,108</u>	<u>\$ 725,969</u>

NOTE P—COMMITMENTS AND CONTINGENCIES

Construction and Other Commitments: At June 30, 2000 the Department of Transportation and at May 31, 2000 the Pennsylvania Turnpike Commission, a discretely presented component unit, have contractual commitments of approximately \$1,957.6 million and \$384 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 proceeds. In addition, the Commonwealth has a variety of contractual and other commitments for future subsidies and purchases of goods and services for approximately \$8.9 billion at June 30, 2000. Actual expenditures are contingent upon approved spending authority and/or availability of financial resources.

Loan Commitments: At June 30, 2000 the following discretely presented component units had approved loans that had not been disbursed (amounts in millions):

Pennsylvania Housing Finance Agency.....	\$	129
Pennsylvania Industrial Development Authority.....		170
Pennsylvania Infrastructure Investment Authority.....		277

Operating Lease Commitments: The Commonwealth and its discretely presented component units have commitments to lease certain buildings and equipment. Future minimum rental commitments for noncancelable operating leases as of June 30, 2000 were as follows (amounts in thousands):

Fiscal year ending June 30:

	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>
2001.....	\$ 229,704	\$ 5,263
2002.....	110,275	4,975
2003.....	79,274	4,159
2004.....	64,675	1,275
2005.....	54,389	609
Later years.....	<u>175,788</u>	<u>996</u>
Total Minimum Lease Payments.....	<u>\$ 714,105</u>	<u>\$ 17,277</u>

Rental expenditures/expenses for all operating leases for the fiscal year ended June 30, 2000 amounted to \$318.7 million (\$312.4 million for primary government, \$6.3 million for discretely presented component units).

Property Tax Rebate Commitment: During May, 2000 the General Assembly passed Act 21-A, the General Appropriation Act of 2000, which includes a 2000-2001 fiscal year General Fund appropriation in the amount of \$330 million for disbursement to Pennsylvania homeowners who apply and qualify for a one-time rebate (limited to the homeowner's primary residence) of certain property taxes (up to \$100) paid to school districts during their 1999-2000 fiscal year. Amounts disbursed will be reported as Commonwealth expenditures in the 2000-2001 fiscal year.

NOTES TO FINANCIAL STATEMENTS

NOTE P—Commitments and Contingencies (continued)

Litigation: The Commonwealth is a defendant in numerous legal proceedings pertaining to matters normally incidental to routine operations. Such litigation includes, but is not limited to, claims asserted against the Commonwealth arising from alleged torts, alleged breaches of contracts, condemnation proceedings and other alleged violations of Commonwealth and Federal laws. The Commonwealth has recorded accrued liabilities at June 30, 2000 with respect to torts as described in Note O, and other General Long-Term Obligations with respect to other matters of litigation in the amount of \$41,744 thousand for which the likelihood of an unfavorable outcome is probable.

Additionally, the Commonwealth is currently involved in certain legal proceedings relative to a case concerning the distribution of certain state funding in an approximate amount ranging from \$200 million to \$1 billion. Other cases that the Commonwealth is vigorously contesting could range from approximately \$110 to \$731 million, zero to \$232 million, \$1 to \$24 million, and zero to \$26 million of additional liabilities for the General Fund, Special Revenue Funds, Capital Projects Funds and the Pension Trust Fund, respectively.

Discretely presented component units of the Commonwealth are vigorously contesting cases which could range from \$200 thousand to approximately \$5.2 million of additional liabilities for the College and University Funds.

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.

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 \$36 to \$326 million. The Commonwealth's management believes ultimate disallowances and sanctions, if any, will not have a material effect on the general purpose financial statements.

Student Loan Guarantees: The Pennsylvania Higher Education Assistance Agency (PHEAA), a discretely presented proprietary component unit, guarantees loans made by private lenders to certain resident students. Total original principal of outstanding guarantees issued by PHEAA approximated \$16.5 billion at June 30, 2000. Under the Higher Education Act of 1965, as amended, the PHEAA has entered into an agreement with the U.S. Department of Education for reinsurance of death, disability, bankruptcy, default, school closure and borrower ineligibility claims paid to lenders. Pursuant to this agreement, PHEAA receives reimbursement of claims paid to lenders, provided that PHEAA is in compliance with various federal requirements. Reinsurance rates vary from 75 percent to 100 percent depending upon default rates in the portfolio guaranteed by PHEAA. During the year ended June 30, 2000, PHEAA's default rate was in a range that permitted the maximum reinsurance reimbursement from the U.S. Department of Education.

Lottery Prizes: The State Lottery Fund, a Special Revenue Fund, awards a variety of prizes, including immediate, lump-sum cash prizes and certain large prizes which provide for periodic payments to winners for specific periods of time (in some cases throughout the winners' lifetimes, and to designated beneficiaries). At June 30, 2000, the amount of future payments owed to prizewinners is \$1.8 billion. To satisfy its financial obligation to these prizewinners, the Fund purchases annuity contracts from insurance companies whereby the insurance companies make periodic payments to prizewinners. Generally, in the event of insurance company default, the Fund is liable for the related annuity payments. However, certain prizewinners voluntarily assign their annuity rights to other parties and receive lump-sum payments in return. In the event of insurance company default where annuity rights have been voluntarily assigned by prizewinners, the Fund is not liable for the related annuity payments. At June 30, 2000 the future payments of \$331.4 million have been voluntarily assigned by prizewinners.

Child Support Payments: At June 30, 2000 the Commonwealth is contingently liable for approximately \$40 million in payments received by a contractor to be used for child support payments.

NOTES TO FINANCIAL STATEMENTS

NOTE Q—CERTAIN AGENCY FUND CLAIMS LIABILITIES

The Medical Professional Liability Catastrophe Loss Fund, an Agency Fund, acts as a service agent to facilitate the payment of medical malpractice claims exceeding basic liability coverage carried by healthcare providers practicing in the Commonwealth. The Fund levies healthcare provider surcharges, as a percentage of insurance premiums for basic coverage, to pay claims and administrative expenses paid on behalf of healthcare providers during the prior year. The actuarially computed liability to the healthcare providers for claims outstanding at June 30, 2000 totals \$2,167.9 million (\$1,666.5 million at present value based on the expected payment pattern and an assumed long-term interest rate of 6 percent). The amount of expendable financial resources available to pay claims at June 30, 2000 is \$167 million. This is reported as a fund liability. The remaining claims will be funded exclusively through surcharge assessments in future years as claims are settled and paid; as a result, a financial liability for remaining claims is not reported.

The Underground Storage Tank Indemnification Fund (the Fund), an Agency Fund, is used to collect fees from underground storage tank owners and operators sufficient to pay owners and operators for costs associated with corrective actions or for bodily injury or property damage caused by tank leaks and other releases. Owners and operators are assessed actuarially determined amounts to accumulate sufficient assets to pay claims. The Fund actuary has estimated potential claims of \$381.2 million at December 31, 1999; on a pro-rata basis, \$352.3 million at June 30, 2000. There are statutory limits on the extent of the Fund's liability to participating owners and operators; the Fund is not obligated beyond assets held at June 30, 2000. Owners and operators will be assessed for any claims exceeding Fund assets and no financial liability is reported for those claims.

NOTE R—DEFERRED COMPENSATION

The Commonwealth sponsors 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.

Prior to December 22, 1998 all amounts of compensation deferred under the plan, all property and rights purchased with the amounts, and all income attributable to these amounts were solely the property and rights of the Commonwealth, subject only to the claims of the Commonwealth's general creditors. Participants' rights under the plan were 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 had no liability for losses under the plan but did have the duty of due care that would be required of an ordinary prudent investor. In accordance with the Small Business Jobs Protection Act of 1996 (a federal law) the plan was amended effective December 21, 1998 to provide that all plan assets are held in trust for the exclusive benefit of participants and employees.

Of the \$915 million in assets reported in the Deferred Compensation Fund, an Expendable Trust Fund, at December 31, 1999, \$884 million relates to primary government employees and \$27 million relates to employees of discretely presented component units. The remaining balance of \$4 million relates to organizations not included in the Commonwealth's financial reporting entity.

NOTES TO FINANCIAL STATEMENTS

NOTE 5—JOINT VENTURE

The Commonwealth and various labor unions representing Commonwealth employees participate in a joint venture, the Pennsylvania Employees Benefit Trust Fund (PEBTF). The PEBTF establishes and provides health and welfare benefits for active Commonwealth employees and is a third party administrator for Commonwealth annuitant medical/hospital benefits. The Commonwealth is required to fund all necessary contributions to pay for the cost of providing benefits; the unions are not required to make contributions. Collective bargaining agreements and administrative policies establish contribution rates and/or amounts. During the fiscal year ended June 30, 2000, the Commonwealth contributed over \$679 million to fund benefits. Neither the Commonwealth nor the unions have an equity interest in the PEBTF. At June 30, 2000, the PEBTF reported total assets of \$385 million, total liabilities and benefit obligations of \$99 million, and net assets available for benefits of \$286 million. During the fiscal year, net assets available for benefits increased by \$12 million. The financial status of the PEBTF is monitored on an ongoing basis; financial stress is not evident.

Audited financial statements for the PEBTF are available, by request, from:

William K. Schantzenbach
Chief Financial Officer
Pennsylvania Employees Benefit Trust Fund
150 South 43rd Street
Harrisburg, Pennsylvania 17111-5700

NOTES TO FINANCIAL STATEMENTS

NOTE T—BUDGETARY COMPLIANCE

The General Assembly passes, and the Governor approves (or reduces or vetoes), individual appropriations as part of the annual budget adoption process. Budgetary expenditure control occurs at the appropriation level; this is the lowest level of legislative spending control. Encumbrances and expenditures within individual appropriations may not exceed total amounts appropriated plus actual augmentations (certain revenues credited to specific appropriations). Also, appropriation transfers between or within departments and any supplemental appropriations require both legislative and gubernatorial approval. The legislatively adopted budget for the General Fund includes \$933 million in supplemental appropriations approved during the fiscal year ended June 30, 2000.

A separately available report, the "Status of Appropriations," demonstrates budgetary expenditure compliance for the General Fund for the fiscal year ended June 30, 2000. This report includes a variety of detail information and summaries related to individual appropriations. A second "Status of Appropriations" report (for Special Funds) demonstrates compliance for the five budgeted Special Revenue funds: Motor License, State Lottery, Workmen's Compensation Administration, Banking Department and Milk Marketing. Both "Status" reports are available from the Office of the Budget. The Governor controls spending by using executive authorizations for Special Revenue funds not controlled by legislatively adopted budgets.

Total reported expenditures for "Total State Programs" included in the Combined Statement of Revenues, Expenditures and Changes in Unreserved/Undesignated Fund Balances – Budget and Actual (Budgetary Basis) are based on appropriation, augmentation and lapse amounts reported in the respective "Status of Appropriations" (Total All Current State Ledgers) as follows (in thousands):

	"Status" Page Reference	Total Approved Appropriations	Total Actual + Augmentations	Total Actual - Lapses	Reported Expenditure = Amounts
General Fund amounts	7 ¹	\$ 20,241,326	\$ 1,869,041	\$131,025	\$21,979,342
less: tax refunds	7 ¹	(815,000)	-	-	(815,000)
Amount reported		<u>\$ 19,426,326</u>	<u>\$ 1,869,041</u>	<u>\$131,025</u>	<u>\$21,164,342</u>
Special Revenue Funds:					
Motor License	52	\$ 2,687,855	\$ 809,910	\$107,881	\$ 3,389,884
less: reductions ²		(718,871)	(768,317)	(104,385)	(1,382,803)
Amount reported		<u>1,968,984</u>	<u>41,593</u>	<u>3,496</u>	<u>2,007,081</u>
State Lottery	3	892,986	-	38,414	854,572
Workmen's Compensation Administration	249	47,086	176	-	47,262
Banking Department	91	10,259	-	1,189	9,070
Milk Marketing	96	<u>2,370</u>	<u>-</u>	<u>11</u>	<u>2,359</u>
Total Special Revenue Funds		<u>\$ 2,921,685</u>	<u>\$ 41,769</u>	<u>\$ 43,110</u>	<u>\$ 2,920,344</u>

Total actual expenditures for "Federal Programs" for the General Fund are derived from the General Fund "Status," pkt page 226, page no. 226 "Summary of All Current Federal Ledgers by Character of Expenditure" as follows (in thousands): Commitments of \$1,338,614 and Expenditures of \$8,630,145, for a total of \$9,968,759.

Total actual expenditures for "Federal Programs," Special Revenue funds, are derived from the Special Funds "Status" as follows (in thousands): Motor License - \$635,143 (calculated in footnote 3 below) and State Lottery - \$60,844 (sum of Commitments of \$2,519 and Expenditures of \$58,325, shown on page no.13), for a total of \$695,987.

¹ Pkt page 7, page no. 7, "Summary of All Current State Ledgers by Character of Expenditure," General Fund "Status of Appropriations."

NOTES TO FINANCIAL STATEMENTS

NOTE T—Budgetary Compliance (Continued)

² Excludes the following appropriation symbols, beginning on page 53, Special Funds “*Status of Appropriations*”: 010-003-102-99-1; 010-008-051-99-1; 010-008-053-99-1; 010-008-181-99-1; 010-003-198-99-2; 010-038-230-99-2; 010-008-212-99-2; 010-008-214-99-2; 010-008-217-99-2; 010-008-218-99-2; and 010-008-230-99-2 through 010-008-289-99-2.

³ Consists of \$765,827 in Year-to-Date “Total Federal Funds” on page 116 of “*Report of Revenues and Receipts*” less \$130,684 in Year-to-Date Federal Funds amounts for the following revenue codes (also on page 115 and 116 of the “*Report*”): 010811-008051-101; 010811-008181-101; 010811-008181-106; 010811-008181-108; 010811-008232-101; 010811-008284-101; 010811-008289-101; and 010811-008289-102.

NOTE U—SUBSEQUENT EVENTS

Primary Government

On October 15, 2000, the Commonwealth issued \$252 million of General Obligation Bonds, Second Series of 2000 with an interest rate of 5.05 percent. Bond proceeds will be used for the construction and acquisition of capital facilities projects, loans to construct, rehabilitate and improve water supply, storm water control and sewage treatment systems, and the expansion and construction of county and multi-county regional prison facility projects.

Discretely Presented Component Units

On August 1, 2000, the Pennsylvania Housing Finance Agency (PHFA) a proprietary fund component unit, signed two \$100 million note purchase agreements with the Pennsylvania Treasury Department under the Hafer Homebuyer Program. The proceeds of the notes will be used to purchase Single Family Mortgage Loans, which will then be pooled and sold to the Federal National Mortgage Association (FNMA). The FNMA will issue mortgage-backed securities to the Commonwealth of Pennsylvania, which will in turn reduce the principal owed by the PHFA on these notes by the purchase price of the mortgaged-backed securities issued to the Commonwealth.

On September 28, 2000, the PHFA issued \$75 million of Single Family Mortgage Revenue Bonds, Series 2000-70. The proceeds of the bonds will be used to refund certain of the PHFA's outstanding Single Family Mortgage Revenue Bonds and to fund the purchase of new Single Family Mortgage Loans.

Combining Financial Statements and Schedules



Commonwealth of Pennsylvania

Special Revenue Funds



Commonwealth of Pennsylvania

SPECIAL REVENUE FUNDS DESCRIPTION

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 operation of the Pennsylvania State Lottery that includes the payment of prizes to lottery winners, property tax and rent assistance to the elderly, mass transit fare subsidies, and prescription drug costs incurred by the eligible elderly.

Motor License Fund — to account for highway and bridge design, construction, improvement, restoration and maintenance, for the purchase of rights-of-way, for aviation activities and facilities, for transportation general government, licensing and safety activities, for payment of subsidies for construction and maintenance of local roads, and for payment of 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. Insurance companies and self-insured businesses are assessed a periodic fee for costs incurred in administering these acts.

Banking Department Fund — to account for the administration of the Department of Banking and regulation of financial institutions. Revenue is received from fees, assessments, charges and penalties collected or recovered from persons, firms, corporations or associations regulated by the Department of Banking.

Milk Marketing Fund — to account for the operation of the Milk Marketing Board and to serve as a depository for money due to dairy farmers from underpayments by dealers. Revenue is received from license fees, fines, penalties and permits relating to the milk industry.

Public Transportation Assistance Fund — to account for the capital, asset maintenance and certain other transportation needs of the Commonwealth's mass transit entities. Revenue is derived from a fee on the sale of new tires, a percent of the total sales and use tax receipts, a motor vehicle lease tax, a motor vehicle rental fee and an additional utility realty tax.

Pharmaceutical Assistance Fund — to account for the payment of prescription drugs and insulin supplies for eligible Commonwealth recipients who are at least 65 years old.

Recycling Fund — to account for grants for recycling solid waste, market and waste minimization studies and public information and educational activities. Financing for the planning, processing, resource recovery and recycling of solid waste is generated by a fee on all waste disposed of in landfills or processed by resource recovery facilities.

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

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

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

COMBINING BALANCE SHEET
Special Revenue Funds

June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
(Expressed in Thousands)

	Budgeted Funds										Total	
	State Lottery	Motor License	Workmen's Compensation Administration	Banking Department	Milk Marketing	Public Transportation Assistance	Pharmaceutical Assistance	Recycling	Fish and Game	Hazardous Sites Cleanup		Other
ASSETS:												
Cash.....	\$ 66	\$ 20,292	\$ 46	\$ 129	\$ 1	\$ 11	\$ 17	\$ 26	\$ 191	\$ 3	\$ 419	\$ 21,201
Temporary investments.....	451,570	810,073	41,800	16,337	2,746	17,231	58,758	146,552	67,142	153,233	317,075	2,082,517
Long-term investments.....	14,705	-	-	-	-	-	-	-	-	-	-	14,705
Receivables, net:												
Taxes.....	-	143,937	-	-	-	28,496	-	-	-	-	-	172,433
Accounts.....	8,525	-	-	4,374	-	-	3,120	-	-	-	2	16,021
Accrued interest.....	2,259	4,126	8	86	11	174	235	756	356	792	3,238	12,041
Notes and loans.....	-	-	-	-	-	-	-	1,309	-	-	67,525	68,834
Other.....	-	6,248	-	-	-	-	-	-	-	-	7	6,255
Due from other funds.....	-	6,267	1	-	-	3,243	3,739	-	1,510	16,190	10,776	41,726
Due from component units.....	-	10	-	-	-	-	-	-	-	-	-	10
Due from other governments.....	2,570	140,136	-	-	-	-	-	-	5,061	-	7,929	155,696
Advances to other funds.....	-	-	-	-	-	-	-	-	-	3,000	-	3,000
TOTAL ASSETS	\$ 479,695	\$ 1,131,089	\$ 41,855	\$ 20,926	\$ 2,758	\$ 49,155	\$ 65,869	\$ 148,643	\$ 74,260	\$ 173,218	\$ 406,971	\$ 2,594,439
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable and accrued liabilities.....	\$ 213,307	\$ 348,694	\$ 4,971	\$ 283	\$ 159	\$ 16,790	\$ 23,060	\$ 1,906	\$ 10,668	\$ 14,394	\$ 88,977	\$ 723,209
Tax refunds payable.....	-	1,106	-	-	-	-	-	-	-	-	-	1,106
Reverse repurchase agreement obligations.....	17,674	31,789	-	-	-	-	-	5,766	-	6,029	-	61,258
Security lending program obligations.....	2,563	-	-	-	-	-	-	-	-	-	-	2,563
Due to other funds.....	51	17,160	824	95	29	405	-	527	333	6	18,738	38,168
Due to component units.....	-	8,845	-	-	-	-	-	-	-	-	-	8,845
Due to other governments.....	1,062	36,522	63	16	6	-	-	10,867	256	1	606	49,399
Deferred revenue.....	2,251	117	-	4,210	1,008	-	-	-	2,336	26	13,541	23,489
Advances from other funds.....	-	2,175	-	-	-	-	7,333	-	-	-	500	9,508
Bond anticipation notes payable.....	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	236,708	446,408	5,858	4,604	1,202	17,195	30,393	19,066	13,593	20,456	122,362	917,845
Fund Balance:												
Reserved for:												
Encumbrances.....	1,290	250,948	91	-	23	-	237	13,564	3,019	27,749	28,162	325,083
Advances.....	-	-	-	-	-	-	-	1,309	-	3,000	-	3,000
Loans receivable.....	-	-	-	-	-	-	-	852	1,645	-	67,525	68,834
Other.....	-	-	503	-	-	-	8,516	-	-	-	24,169	35,685
Unreserved:												
Designated for:												
Highways.....	-	250,743	-	-	-	-	-	-	-	-	-	250,743
Other.....	264	-	-	-	-	-	-	-	-	-	-	264
Undesignated.....	241,433	182,990	35,403	16,322	1,533	31,960	26,723	113,852	56,003	122,013	164,753	992,985
TOTAL FUND BALANCE	242,987	684,681	35,997	16,322	1,556	31,960	35,476	129,577	60,667	152,762	284,609	1,676,594
TOTAL LIABILITIES AND FUND BALANCE	\$ 479,695	\$ 1,131,089	\$ 41,855	\$ 20,926	\$ 2,758	\$ 49,155	\$ 65,869	\$ 148,643	\$ 74,260	\$ 173,218	\$ 406,971	\$ 2,594,439

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Special Revenue Funds *For Fiscal Year Ended June 30, 2000*

COMMONWEALTH OF PENNSYLVANIA
 (Expressed in Thousands)

	Budgeted Funds										Total	
	State Lottery	Motor License	Workmen's Compensation Administration	Banking Department	Milk Marketing	Public Transportation Assistance	Pharmaceutical Assistance	Recycling	Fish and Game	Hazardous Sites Cleanup		Other
REVENUES:												
Taxes.....	\$ -	\$ 1,632,698	\$ -	\$ -	\$ -	\$ 174,077	\$ -	\$ -	\$ -	\$ 19,825	\$ 36,084	\$ 1,862,684
Licenses and fees.....	13	806,256	-	4,068	2,121	-	-	45,646	59,421	2,643	26,609	946,777
Intergovernmental.....	57,057	840,092	-	-	-	-	-	-	15,629	-	118,540	1,031,318
Charges for sales and service.....	(421)	80,962	45,162	7,420	-	-	-	-	21,842	-	58,907	213,872
Investment income.....	22,065	40,560	2,038	929	134	939	1,777	9,209	3,843	9,066	16,632	107,192
Lottery revenues.....	1,695,371	-	-	-	-	-	-	66	1,560	-	-	1,695,371
Other.....	280	38,117	138	69	7	-	-	-	-	4,938	17,237	62,412
TOTAL REVENUES.....	1,774,365	3,438,685	47,338	12,486	2,262	175,016	1,777	54,921	102,295	36,472	274,009	5,919,626
EXPENDITURES:												
Current:												
General government.....	991,257	383,151	48,292	8,986	2,342	-	-	-	-	-	49,685	1,483,713
Protection of persons and property.....	-	-	-	-	-	-	-	-	-	-	19,393	19,393
Public health and welfare.....	389,847	-	-	-	-	-	294,070	-	-	-	157,048	840,965
Public education.....	-	-	-	-	-	-	-	-	-	-	1,340	1,340
Conservation of natural resources.....	-	-	-	-	-	-	-	-	-	-	139,213	139,213
Transportation.....	103,567	2,884,897	-	-	-	168,939	-	40,497	98,942	52,082	-	3,300,734
Capital outlay.....	-	53,494	-	-	-	-	-	-	-	-	-	53,494
Debt service:												
Interest and fiscal charges.....	116	-	-	-	-	-	-	-	-	-	-	116
TOTAL EXPENDITURES.....	1,484,787	3,321,542	48,292	8,986	2,342	168,939	294,070	40,497	98,942	52,082	366,679	5,887,158
REVENUES OVER (UNDER) EXPENDITURES.....	289,578	117,143	(954)	3,500	(80)	6,077	(292,293)	14,424	3,353	(15,610)	(92,670)	32,468
OTHER FINANCING SOURCES (USES):												
Bond proceeds.....	-	-	-	-	-	-	-	-	-	-	23,417	23,417
Operating transfers in.....	-	-	-	-	-	-	284,871	664	1,950	-	160,705	448,190
Operating transfers out.....	(260,000)	(129,982)	-	-	-	(4,745)	-	(27,820)	-	(5,000)	(19,572)	(447,119)
Capital lease and installment purchase obligations.....	-	13,962	-	-	-	-	-	-	-	-	-	13,962
NET OTHER FINANCING SOURCES (USES).....	(260,000)	(116,020)	-	-	-	(4,745)	284,871	(27,156)	1,950	(5,000)	164,550	38,450
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES.....	29,578	1,123	(954)	3,500	(80)	1,332	(7,422)	(12,732)	5,303	(20,610)	71,880	70,918
FUND BALANCES, JUNE 30, 1999.....	213,409	711,558	36,951	12,822	1,636	30,628	42,898	142,309	55,364	175,372	236,714	1,659,661
RESIDUAL EQUITY TRANSFERS.....	-	(28,000)	-	-	-	-	-	-	-	(2,000)	(23,985)	(53,985)
FUND BALANCES, JUNE 30, 2000.....	\$ 242,987	\$ 684,681	\$ 35,997	\$ 16,322	\$ 1,556	\$ 31,960	\$ 35,476	\$ 129,577	\$ 60,667	\$ 152,762	\$ 284,609	\$ 1,676,594

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN UNRESERVED/UNDESIGNATED
FUND BALANCES-BUDGET AND ACTUAL (BUDGETARY BASIS)**

Budgeted Special Revenue Funds

For Fiscal Year Ended June 30, 2000

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.....	\$ -	\$ -	\$ -	\$ 1,019,900	\$ 1,054,027	\$ 34,127
Lottery receipts.....	912,751	908,760	(3,991)	-	-	-
Licenses and fees.....	-	-	-	771,070	807,859	36,789
Investment income.....	20,083	20,253	170	36,880	41,896	5,016
Fines, penalties and interest.....	-	-	-	31,000	31,972	972
Departmental services.....	-	-	-	41,593	41,593	-
Miscellaneous.....	285	280	(5)	25,130	23,610	(1,520)
TOTAL STATE PROGRAMS.....	933,119	929,293	(3,826)	1,925,573	2,000,957	75,384
Federal Programs.....	65,255	60,844	(4,411)	798,393	635,143	(163,250)
TOTAL REVENUES.....	998,374	990,137	(8,237)	2,723,966	2,636,100	(87,866)
EXPENDITURES:						
State Programs:						
General government.....	246,074	231,001	15,073	56,656	54,138	2,518
Protection of persons and property.....	-	-	-	305,091	305,091	-
Public health and welfare.....	646,912	623,571	23,341	-	-	-
Public education.....	-	-	-	1,591	1,178	413
Conservation of natural resources.....	-	-	-	1,000	1,000	-
Debt service.....	-	-	-	99,453	99,453	-
Economic development and assistance.....	-	-	-	-	-	-
Transportation.....	-	-	-	1,546,786	1,546,221	565
TOTAL STATE PROGRAMS.....	892,986	854,572	38,414	2,010,577	2,007,081	3,496
Federal Programs.....	65,255	60,844	4,411	798,393	635,143	163,250
TOTAL EXPENDITURES.....	958,241	915,416	42,825	2,808,970	2,642,224	166,746
REVENUES OVER (UNDER) EXPENDITURES.....	40,133	74,721	34,588	(85,004)	(6,124)	78,880
OTHER FINANCING SOURCES:						
Prior year lapses.....	13,416	13,416	-	28,806	28,806	-
NET OTHER FINANCING SOURCES.....	13,416	13,416	-	28,806	28,806	-
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	53,549	88,137	34,588	(56,198)	22,682	78,880
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS)						
JULY 1, 1999.....	302,828	302,828	-	89,454	89,454	-
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 2000.....	\$ 356,377	\$ 390,965	\$ 34,588	\$ 33,256	\$ 112,136	\$ 78,880

(Continued)

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN UNRESERVED/UNDESIGNATED
FUND BALANCES-BUDGET AND ACTUAL (BUDGETARY BASIS)**

Budgeted Special Revenue Funds (Continued)

For Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Workmen's Compensation Administration			Banking Department		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
State Programs:						
Taxes, net of refunds.....	\$ 45,086	\$ 45,150	\$ 64	\$ -	\$ -	\$ -
Lottery receipts.....	-	-	-	-	-	-
Licenses and fees.....	-	-	-	11,549	11,640	91
Investment income.....	3,245	2,039	(1,206)	731	859	128
Fines, penalties and interest.....	10	6	(4)	50	64	14
Departmental services.....	176	176	-	-	-	-
Miscellaneous.....	245	155	(90)	-	4	4
TOTAL STATE PROGRAMS.....	48,762	47,526	(1,236)	12,330	12,567	237
Federal Programs	-	-	-	-	-	-
TOTAL REVENUES.....	48,762	47,526	(1,236)	12,330	12,567	237
EXPENDITURES:						
State Programs:						
General government.....	47,086	47,086	-	10,259	9,070	1,189
Protection of persons and property.....	-	-	-	-	-	-
Public health and welfare.....	-	-	-	-	-	-
Public education.....	-	-	-	-	-	-
Conservation of natural resources.....	-	-	-	-	-	-
Debt service.....	-	-	-	-	-	-
Economic development and assistance.....	176	176	-	-	-	-
Transportation.....	-	-	-	-	-	-
TOTAL STATE PROGRAMS	47,262	47,262	-	10,259	9,070	1,189
Federal Programs	-	-	-	-	-	-
TOTAL EXPENDITURES.....	47,262	47,262	-	10,259	9,070	1,189
REVENUES OVER (UNDER) EXPENDITURES.....	1,500	264	(1,236)	2,071	3,497	1,426
OTHER FINANCING SOURCES:						
Prior year lapses.....	30	30	-	98	98	-
NET OTHER FINANCING SOURCES.....	30	30	-	98	98	-
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	1,530	294	(1,236)	2,169	3,595	1,426
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS)						
JULY 1, 1999.....	38,153	38,153	-	11,466	11,466	-
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 2000.....						
	\$ 39,683	\$ 38,447	\$ (1,236)	\$ 13,635	\$ 15,061	\$ 1,426

(Continued)

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN UNRESERVED/UNDESIGNATED
FUND BALANCES-BUDGET AND ACTUAL (BUDGETARY BASIS)**

Budgeted Special Revenue Funds (Continued)

For Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Milk Marketing			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
State Programs:						
Taxes, net of refunds.....	\$ -	\$ -	\$ -	\$ 1,064,986	\$ 1,099,177	\$ 34,191
Lottery receipts.....	-	-	-	912,751	908,760	(3,991)
Licenses and fees.....	2,164	2,121	(43)	784,783	821,620	36,837
Investment income.....	124	127	3	61,063	65,174	4,111
Fines, penalties and interest.....	10	6	(4)	31,070	32,048	978
Departmental services.....	-	-	-	41,769	41,769	-
Miscellaneous.....	2	1	(1)	25,662	24,050	(1,612)
TOTAL STATE PROGRAMS.....	2,300	2,255	(45)	2,922,084	2,992,598	70,514
Federal Programs.....	-	-	-	863,648	695,987	(167,661)
TOTAL REVENUES.....	2,300	2,255	(45)	3,785,732	3,688,585	(97,147)
EXPENDITURES:						
State Programs:						
General government.....	2,370	2,359	11	362,445	343,654	18,791
Protection of persons and property.....	-	-	-	305,091	305,091	-
Public health and welfare.....	-	-	-	646,912	623,571	23,341
Public education.....	-	-	-	1,591	1,178	413
Conservation of natural resources.....	-	-	-	1,000	1,000	-
Debt service.....	-	-	-	99,453	99,453	-
Economic development and assistance.....	-	-	-	176	176	-
Transportation.....	-	-	-	1,546,786	1,546,221	565
TOTAL STATE PROGRAMS.....	2,370	2,359	11	2,963,454	2,920,344	43,110
Federal Programs.....	-	-	-	863,648	695,987	167,661
TOTAL EXPENDITURES.....	2,370	2,359	11	3,827,102	3,616,331	210,771
REVENUES OVER (UNDER) EXPENDITURES.....	(70)	(104)	(34)	(41,370)	72,254	113,624
OTHER FINANCING SOURCES:						
Prior year lapses.....	8	8	-	42,358	42,358	-
NET OTHER FINANCING SOURCES.....	8	8	-	42,358	42,358	-
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	(62)	(96)	(34)	988	114,612	113,624
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS)						
JULY 1, 1999.....	1,582	1,582	-	443,483	443,483	-
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 2000.....	\$ 1,520	\$ 1,486	\$ (34)	\$ 444,471	\$ 558,095	\$ 113,624

Debt Service Funds



Commonwealth of Pennsylvania

DEBT SERVICE FUNDS DESCRIPTION

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 and investment income.

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 and investment income.

Capital Debt Fund — to account for the payment of principal and interest related to general obligation bonds issued for capital projects authorized by Capital Budget Acts. Funding consists of transfers from the General Fund and the Motor License Fund, facility rental and investment income.

Pennsylvania Economic Revitalization Sinking Fund — to account for the payment of principal and interest on bonds issued for the promotion of economic redevelopment throughout Pennsylvania for grants and loans for industrial and small business development. Funding consists of transfers from the General Fund and the Pennsylvania Economic Revitalization Fund and investment income.

Water Facilities Loan Redemption Fund — to account for the payment of principal and interest on bonds issued for the implementation of the water project loan referendum to provide loans to local water companies for repair, construction and improvement to water supply systems. Funding consists of transfers from the General Fund and the Water Facilities Loan Fund, investment income and proceeds from the sale, lease or disposal of loan collateral.

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, the Land and Water Development Fund and investment income.

Other — these funds account for the payment of principal and interest on bonds issued for loans to nursing homes and volunteer fire companies and for compensation to Vietnam Veterans. Funding consists primarily of transfers from the General Fund and investment income.

COMBINING BALANCE SHEET

Debt Service Funds

June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
(Expressed in Thousands)

	Disaster Relief Redemption	Pennsylvania Infrastructure Investment Authority Redemption	Capital Debt	Pennsylvania Economic Revitalization Sinking	Water Facilities Loan Redemption	Land and Water Development Sinking	Other	Total
ASSETS:								
Cash.....	\$ 1	\$ -	\$ -	\$ -	\$ 1	\$ 1	\$ 3	\$ 6
Cash with fiscal agents.....	609	-	8,109	-	24	930	256	9,928
Temporary investments.....	4	-	399,680	70	-	20	15	399,789
Receivables, net:								
Accounts.....	-	-	7,078	-	-	-	-	7,078
Accrued interest.....	-	-	277	-	-	-	-	277
Lease rental.....	-	-	2,317	-	-	-	-	2,317
Due from other funds.....	-	-	-	19	-	23	-	42
Due from component unit.....	-	25,822	-	-	-	-	-	25,822
TOTAL ASSETS	\$ 614	\$ 25,822	\$ 417,461	\$ 89	\$ 25	\$ 974	\$ 274	\$ 445,259
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Matured debt principal and interest payable.....	\$ 609	\$ -	\$ 8,109	\$ -	\$ 24	\$ 930	\$ 256	\$ 9,928
Reverse repurchase agreement obligations.....	-	-	15,725	-	-	-	-	15,725
Due to other funds.....	-	-	-	-	-	-	15	15
Deferred revenue.....	-	-	9,395	-	-	-	-	9,395
Other liabilities.....	58	-	429	-	-	-	-	487
TOTAL LIABILITIES	667	-	33,658	-	24	930	271	35,550
Fund balance:								
Unreserved:								
Designated for:								
Debt service:								
Retirement of general obligation bonds.....	-	25,822	383,803	89	1	44	3	409,762
Undesignated deficit.....	(53)	-	-	-	-	-	-	(53)
TOTAL FUND BALANCES (DEFICIT)	(53)	25,822	383,803	89	1	44	3	409,709
TOTAL LIABILITIES AND FUND BALANCES	\$ 614	\$ 25,822	\$ 417,461	\$ 89	\$ 25	\$ 974	\$ 274	\$ 445,259

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

Debt Service Funds

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
(Expressed in Thousands)

	Disaster Relief Redemption	Pennsylvania Infrastructure Investment Authority Redemption	Capital Debt	Pennsylvania Economic Revitalization Sinking	Water Facilities Loan Redemption	Land and Water Development Sinking	Other	Total
REVENUES:								
Investment income.....	\$ 4	\$ 6	\$ 10,810	\$ 1	\$ -	\$ 220	\$ 1	\$ 11,042
Lease rental principal and interest.....	-	-	1,827	-	-	-	-	1,827
Other.....	3	-	163	-	-	-	-	166
TOTAL REVENUES	7	6	12,800	1	-	220	1	13,035
EXPENDITURES:								
Debt service:								
Principal retirement.....	5,655	14,880	415,760	4,660	6,840	12,540	19,015	479,350
Interest and fiscal charges.....	1,729	13,089	235,080	1,833	6,015	1,966	16,699	276,411
TOTAL EXPENDITURES	7,384	27,969	650,840	6,493	12,855	14,506	35,714	755,761
REVENUES UNDER EXPENDITURES	(7,377)	(27,963)	(638,040)	(6,492)	(12,855)	(14,286)	(35,713)	(742,726)
OTHER FINANCING SOURCES:								
Operating transfers in.....	7,323	25,976	652,976	6,458	12,855	14,287	35,713	755,588
NET OTHER FINANCING SOURCES	7,323	25,976	652,976	6,458	12,855	14,287	35,713	755,588
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES.....	(54)	(1,987)	14,936	(34)	-	1	-	12,862
FUND BALANCES, JULY 1, 1999.....	1	27,809	368,867	123	1	43	3	396,847
FUND BALANCES (DEFICIT), JUNE 30, 2000.....	\$ (53)	\$ 25,822	\$ 383,803	\$ 89	\$ 1	\$ 44	\$ 3	\$ 409,709

Capital Projects Funds



Commonwealth of Pennsylvania

CAPITAL PROJECTS FUNDS DESCRIPTION

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities, including those provided to political subdivisions or other public organizations.

Capital Facilities Fund — to account for general obligation bond proceeds used to fund capital projects specifically itemized and authorized by Capital Budget Acts.

Keystone Recreation, Park and Conservation Fund — to account for bond proceeds and a percentage of the state realty transfer tax. The amounts are used to acquire, improve and expand Commonwealth and community parks, recreation facilities, historic sites, zoos, public libraries, nature preserves and wildlife habitats and other recreational areas and facilities.

Other — to account for the proceeds of bonds issued for grants to counties and multicounty authorities for the repair, expansion, construction, rehabilitation and improvement of local correctional facilities or multicounty regional prison facilities, or to provide grants to eligible entities for use in developing outdoor recreation areas and improvements to sewage treatment facilities.

COMBINING BALANCE SHEET
Capital Projects Funds

June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
 (Expressed in Thousands)

	Capital Facilities	Keystone Recreation, Park and Conservation	Other	Total
ASSETS				
Cash.....	\$ 5	\$ 1	\$ 1	\$ 7
Temporary investments.....	386,696	130,244	774	517,714
Receivable:				
Accrued interest.....	1,774	668	5	2,447
Due from other funds.....	4,219	4,009	-	8,228
TOTAL ASSETS	<u>\$ 392,694</u>	<u>\$ 134,922</u>	<u>\$ 780</u>	<u>\$ 528,396</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 81,381	\$ 9,722	\$ -	\$ 91,103
Reverse repurchase agreement obligations.....	15,214	5,124	-	20,338
Due to other funds.....	1	32	-	33
Due to other governments.....	98,875	437	178	99,490
Bond anticipation notes payable.....	30,900	-	-	30,900
TOTAL LIABILITIES	<u>226,371</u>	<u>15,315</u>	<u>178</u>	<u>241,864</u>
Fund Balance:				
Reserved for:				
Encumbrances.....	874,366	33,565	-	907,931
Other.....	2,335	-	-	2,335
Unreserved:				
Designated for:				
Capital projects.....	-	86,042	602	86,644
Undesignated deficit.....	(710,378)	-	-	(710,378)
TOTAL FUND BALANCES	<u>166,323</u>	<u>119,607</u>	<u>602</u>	<u>286,532</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 392,694</u>	<u>\$ 134,922</u>	<u>\$ 780</u>	<u>\$ 528,396</u>

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

Capital Projects Funds

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Capital Facilities	Keystone Recreation, Park and Conservation	Other	Total
REVENUES:				
Taxes.....	\$ -	\$ 48,027	\$ -	\$ 48,027
Charges for sales and services.....	48,793	-	-	48,793
Investment income.....	19,832	7,001	122	26,955
Other.....	130	14	-	144
TOTAL REVENUES.....	68,755	55,042	122	123,919
EXPENDITURES:				
General government.....	599	-	-	599
Protection of persons and property.....	-	-	1,930	1,930
Conservation of natural resources.....	6,915	36,640	1,932	45,487
Economic development and assistance.....	67,352	-	-	67,352
Transportation.....	122,373	-	-	122,373
Capital outlay.....	488,309	-	-	488,309
Debt service:				
Interest and fiscal charges.....	516	1	-	517
TOTAL EXPENDITURES.....	686,064	36,641	3,862	726,567
REVENUES OVER (UNDER) EXPENDITURES.....	(617,309)	18,401	(3,740)	(602,648)
OTHER FINANCING SOURCES:				
Bond proceeds.....	567,314	-	-	567,314
Operating transfers in.....	90,000	-	-	90,000
NET OTHER FINANCING SOURCES.....	657,314	-	-	657,314
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES.....				
	40,005	18,401	(3,740)	54,666
FUND BALANCES, JULY 1, 1999.....	126,318	101,206	4,342	231,866
FUND BALANCES, JUNE 30, 2000.....	\$ 166,323	\$ 119,607	\$ 602	\$ 286,532

Enterprise Funds



Commonwealth of Pennsylvania

ENTERPRISE FUNDS DESCRIPTION

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.

Tuition Payment Fund — to account for the tuition account program, which provides for the advance purchase of college tuition credits for the beneficiary to attend a college or university at a future time. Revenue is derived primarily from application fees, tuition unit purchases and investment income.

Small Business First Fund — to account for and provide loans to eligible small businesses for capital development projects which will create or preserve employment opportunities and that will enhance business development in Pennsylvania. Sources of revenue include loan principal and interest payments, transfers from the General Fund, Federal funds and investment income.

State Workmen's Insurance Fund — to account for premiums paid for worker's compensation insurance by employers who are subscribers and to pay workers' compensation claims and related expenses.

State Stores Fund — to account for the general operations of the Pennsylvania Liquor Control Board. Expenses include all costs associated with the operation and administration of the liquor store system and enforcement of the Liquor Control Law.

Volunteer Companies Loan Fund — to account for and provide low-interest loans for acquisition and replacement of volunteer fire, ambulance and rescue company equipment and facilities.

Minority Business Development Fund — to account for and provide low-interest and short-term loans, loan and bond guarantees and other financial and technical assistance, to eligible minority business enterprises and for operating expenses of the Pennsylvania Minority Business Development Authority. Sources of revenue include loan repayments, transfers from the General Fund and investment income.

Machinery and Equipment Loan Fund — to account for and provide low-interest loans to finance machinery and equipment purchases for eligible Pennsylvania businesses to facilitate their growth, competitiveness and value added-capacity. Sources of revenue include loan repayments, General Fund appropriations and investment income.

Other — to account for enterprise operations including activities associated with low interest loans to manufacturers, insurance to home owners in mining areas against damages resulting from mine subsidence and vocational rehabilitation services and loans and grants issued to attract industrial, manufacturing or research and development enterprises to the Commonwealth of Pennsylvania.

COMBINING BALANCE SHEET
Enterprise Funds

June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
(Expressed in Thousands)

	Tuition Payment	Small Business First	State Workmen's Insurance (Dec. 31, 1999)	State Stores (Jun. 27, 2000)	Volunteer Companies Loan	Minority Business Development	Machinery and Equipment Loan	Other	Total
ASSETS:									
Cash.....	\$ 626	\$ 232	\$ 1,279	\$ 12,240	\$ 155	\$ 18	\$ 139	\$ 108	\$ 14,797
Cash with fiscal agents.....	-	-	-	-	-	500	-	-	500
Temporary investments.....	97,147	50,607	565,689	136,551	13,929	2,664	19,669	53,266	939,522
Long-term investments.....	97,290	-	1,245,114	-	-	-	-	-	1,342,404
Receivables, net:									
Accounts.....	11	-	8,455	1,201	-	-	-	109	9,776
Accrued interest.....	968	464	16,304	722	118	97	204	407	19,284
Notes and loans.....	-	56,298	-	-	96,800	2,406	35,643	7,899	199,046
Other.....	-	5	-	-	-	-	12	-	17
Due from other funds.....	-	-	491	328	-	-	-	2,530	3,349
Inventory.....	-	-	-	132,591	-	-	-	133	132,724
Fixed assets.....	-	-	12,477	57,423	-	-	-	23,186	93,086
Less: accumulated depreciation.....	-	-	(11,868)	(40,693)	-	-	-	(14,876)	(67,437)
Other assets.....	-	-	-	645	-	-	-	57	702
TOTAL ASSETS	\$ 196,042	\$ 107,606	\$ 1,837,941	\$ 301,008	\$ 111,002	\$ 5,685	\$ 55,667	\$ 72,819	\$ 2,687,770
LIABILITIES AND FUND EQUITY									
Liabilities:									
Accounts payable and accrued liabilities.....	\$ 265	\$ 48	\$ 2,895	\$ 100,869	\$ -	\$ 189	\$ -	\$ 2,954	\$ 107,220
Tuition benefits payable.....	170,351	-	-	-	-	-	-	-	170,351
Reverse repurchase agreement obligations.....	-	-	-	5,668	-	-	-	-	5,668
Securities lending program obligations.....	-	-	480,558	-	-	-	-	-	480,558
Due to other funds.....	10	-	1,614	84,654	-	-	-	118	86,396
Due to other governments.....	2	-	-	348	-	-	-	119	469
Deferred revenue.....	-	107	16,800	-	62	23	-	3,629	20,621
Advances from other funds.....	250	3,000	2,006	-	-	-	-	-	5,256
Other liabilities.....	-	-	3,641	-	-	-	22	4	3,667
Insurance loss liability.....	-	-	1,137,459	-	-	-	-	-	1,137,459
TOTAL LIABILITIES	170,878	3,155	1,644,973	191,539	62	212	22	6,824	2,017,665
Fund Equity:									
Contributed capital.....	-	96,068	-	2,294	80,416	35,660	48,700	25,533	288,671
Retained earnings:									
Reserved.....	-	906	5	-	-	-	-	3,425	4,336
Unreserved (deficit).....	25,164	7,477	192,963	107,175	30,524	(30,187)	6,945	37,037	377,098
TOTAL FUND EQUITY	25,164	104,451	192,968	109,469	110,940	5,473	55,645	65,995	670,105
TOTAL LIABILITIES AND FUND EQUITY	\$ 196,042	\$ 107,606	\$ 1,837,941	\$ 301,008	\$ 111,002	\$ 5,685	\$ 55,667	\$ 72,819	\$ 2,687,770

**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS
Enterprise Funds**

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
(Expressed in Thousands)

	Tuition Payment	Small Business First	State Workmen's Insurance (Dec. 31, 1999)	State Stores (Jun. 27, 2000)	Volunteer Companies Loan	Minority Business Development	Machinery and Equipment Loan	Other	Total
OPERATING REVENUES:									
Sales and services.....	\$ 33,180	\$ -	\$ 57,607	\$ 876,308	\$ -	\$ -	\$ -	\$ 20,740	\$ 987,835
Investment income.....	16,638	2,590	30,057	-	945	177	1,196	2,811	54,414
Interest on notes and loans.....	-	2,696	-	-	1,850	336	1,271	156	6,309
Other.....	-	-	74	-	-	4	206	1	285
TOTAL OPERATING REVENUES.....	49,818	5,286	87,738	876,308	2,795	517	2,673	23,708	1,048,843
OPERATING EXPENSES:									
Cost of sales and services.....	48,210	1,028	59,648	797,809	-	291	150	19,673	926,809
Interest expense.....	-	-	21,655	-	-	-	-	-	21,655
Depreciation.....	-	-	453	2,632	-	-	-	2,395	5,480
Provision for uncollectible accounts.....	-	211	(4,830)	543	138	(1,252)	392	3	(4,795)
Other.....	-	-	-	-	-	582	-	-	582
TOTAL OPERATING EXPENSES.....	48,210	1,239	76,926	800,984	138	(379)	542	22,071	949,731
OPERATING INCOME.....	1,608	4,047	10,812	75,324	2,657	896	2,131	1,637	99,112
NONOPERATING REVENUES (EXPENSES):									
Investment income.....	-	-	-	8,763	-	-	-	339	9,102
Other revenues.....	-	-	-	-	-	-	-	584	584
Other expenses.....	-	-	-	(893)	-	-	-	-	(893)
NONOPERATING REVENUES, NET.....	-	-	-	7,870	-	-	-	923	8,793
INCOME BEFORE OPERATING TRANSFERS.....	1,608	4,047	10,812	83,194	2,657	896	2,131	2,560	107,905
OPERATING TRANSFERS:									
Operating transfers out.....	-	(664)	-	(51,656)	-	-	-	-	(52,320)
OPERATING TRANSFERS, NET.....	-	(664)	-	(51,656)	-	-	-	-	(52,320)
NET INCOME.....	1,608	3,383	10,812	31,538	2,657	896	2,131	2,560	55,585
RETAINED EARNINGS (DEFICIT), JULY 1, 1999.....	23,556	5,000	182,156	75,637	27,867	(31,083)	4,814	37,902	325,849
RETAINED EARNINGS (DEFICIT), JUNE 30, 2000.....	\$ 25,164	\$ 8,383	\$ 192,968	\$ 107,175	\$ 30,524	\$ (30,187)	\$ 6,945	\$ 40,462	\$ 381,434

COMBINING STATEMENT OF CASH FLOWS
Enterprise Funds

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
 (Expressed in Thousands)

	Tuition Payment	Small Business First	State Workmen's Insurance (Dec. 31, 1999)	State Stores (Jun. 27, 2000)	Volunteer Companies Loan	Minority Business Development	Machinery and Equipment Loan	Other	Total
CASH FLOWS FROM OPERATING ACTIVITIES:									
Operating income	\$ 1,608	\$ 4,047	\$ 10,812	\$ 75,324	\$ 2,657	\$ 896	\$ 2,131	\$ 1,637	\$ 99,112
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:									
Depreciation.....	-	-	453	2,632	-	-	-	2,395	5,480
Provision for uncollectible accounts.....	-	211	(4,830)	543	138	(1,252)	392	3	(4,795)
Nonoperating revenues.....	-	-	-	-	-	-	-	584	584
Reclassification of investment income.....	(16,638)	(2,590)	(30,057)	-	(945)	(177)	(1,196)	(2,811)	(54,414)
Change in assets and liabilities:									
Receivables.....	164	(4,874)	13,120	(564)	(8,136)	1,645	(4,127)	(6,167)	(8,939)
Due from other funds.....	-	2,500	423	(20)	-	-	-	1,679	4,582
Due from other governments.....	-	-	-	-	-	-	-	13	13
Inventory.....	-	-	-	(11,188)	-	-	-	20	(11,168)
Other assets.....	-	-	2,222	(228)	-	-	-	1,423	3,417
Accounts payable and accrued liabilities.....	73	28	(3,539)	1,242	-	120	-	(1,008)	(3,084)
Due to other funds.....	(9)	(4)	(942)	67,406	-	(2,500)	-	94	64,045
Due to other governments.....	(1)	-	-	13	-	-	-	(12)	-
Deferred revenue.....	-	(3,948)	(1,386)	-	13	4	-	36	(5,281)
Insurance loss liability.....	-	-	(153,753)	-	-	-	-	-	(153,753)
Tuition benefits payable.....	40,267	-	-	-	-	-	-	-	40,267
Reverse repurchase agreement obligations.....	-	-	-	5,668	-	-	-	-	5,668
Securities lending program obligations.....	-	-	73,855	-	-	-	-	-	73,855
Other liabilities.....	-	-	(1,750)	-	-	-	5	(2)	(1,747)
Total adjustments.....	23,856	(8,677)	(106,184)	65,504	(8,930)	(2,160)	(4,926)	(3,753)	(45,270)
NET CASH PROVIDED BY (USED FOR)									
OPERATING ACTIVITIES.....	25,464	(4,630)	(95,372)	140,828	(6,273)	(1,264)	(2,795)	(2,116)	53,842
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:									
Repayments under advances from other funds	(100)	-	6	(66,000)	-	-	-	-	(66,094)
Operating transfers out.....	-	(664)	-	(51,656)	-	-	-	-	(52,320)
Increase in contributed capital.....	-	-	-	-	-	-	-	10,170	10,170
Decrease in contributed capital.....	-	-	-	-	-	-	-	(86)	(86)
NET CASH PROVIDED BY (USED FOR)									
NONCAPITAL FINANCING ACTIVITIES.....	(100)	(664)	6	(117,656)	-	-	-	10,084	(108,330)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Increase in contributed capital.....	-	25,000	-	-	-	-	2,000	-	27,000
Acquisition and construction of capital assets.....	-	-	(6)	(7,111)	-	-	-	(2,337)	(9,454)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES.....	-	25,000	(6)	(7,111)	-	-	2,000	(2,337)	17,546
CASH FLOWS FROM INVESTING ACTIVITIES:									
Purchase of investments.....	(6,601,988)	(41,540)	(1,155,248)	(629,924)	(10,516)	(2,437)	(15,519)	(36,386)	(8,493,558)
Proceeds from sale and maturities of investments.....	6,551,068	19,040	1,168,103	605,864	15,826	4,021	14,974	27,681	8,406,577
Investment income.....	26,076	2,473	82,650	8,763	913	171	1,151	3,026	125,223
NET CASH PROVIDED BY (USED FOR)									
INVESTING ACTIVITIES.....	(24,844)	(20,027)	95,505	(15,297)	6,223	1,755	606	(5,679)	38,242
NET INCREASE (DECREASE) IN CASH.....	520	(321)	133	764	(50)	491	(189)	(48)	1,300
CASH, JULY 1, 1999.....	106	553	1,146	11,476	205	27	328	156	13,997
CASH, JUNE 30, 2000.....	\$ 626	\$ 232	\$ 1,279	\$ 12,240	\$ 155	\$ 518	\$ 139	\$ 108	\$ 15,297

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

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Internal Service Funds



Commonwealth of Pennsylvania

**INTERNAL SERVICE FUNDS
DESCRIPTION**

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

Purchasing Fund — to account for the purchase of materials, supplies, motor vehicles and other equipment by the Department of General Services for the sale or lease to other Commonwealth departments, boards or commissions. Revenue is derived from reimbursements from Commonwealth agencies who use Fund services or products.

Manufacturing Fund — to account for the manufacture and sale of goods and services by inmates in the institutions of the Department of Corrections, government agencies and government-aided organizations.

COMBINING BALANCE SHEET
Internal Service Funds

June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
(Expressed in Thousands)

	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
ASSETS			
Cash.....	\$ 66	\$ 338	\$ 404
Temporary investments.....	17,432	10,533	27,965
Receivables, net:			
Accounts.....	6	-	6
Accrued interest.....	137	59	196
Other.....	-	233	233
Due from other funds.....	17,015	5,395	22,410
Due from component units.....	1,873	3	1,876
Due from other governments.....	218	32	250
Inventory.....	1,109	11,709	12,818
Fixed assets.....	66,986	23,829	90,815
Less: accumulated depreciation.....	(33,770)	(13,071)	(46,841)
Other assets.....	-	22	22
TOTAL ASSETS	\$ 71,072	\$ 39,082	\$ 110,154
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable and accrued liabilities.....	\$ 15,441	\$ 7,306	\$ 22,747
Due to other funds.....	239	141	380
Due to other governments.....	24	35	59
Advances from other funds.....	9,000	-	9,000
TOTAL LIABILITIES.....	24,704	7,482	32,186
Fund Equity:			
Contributed capital.....	9,187	-	9,187
Retained earnings:			
Unreserved.....	37,181	31,600	68,781
TOTAL FUND EQUITY.....	46,368	31,600	77,968
TOTAL LIABILITIES AND FUND EQUITY	\$ 71,072	\$ 39,082	\$ 110,154

**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS**
Internal Service Funds

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
(Expressed in Thousands)

	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
OPERATING REVENUES:			
Sales and services.....	\$ 275,926	\$ 39,871	\$ 315,797
Other.....	-	341	341
TOTAL OPERATING REVENUES	<u>275,926</u>	<u>40,212</u>	<u>316,138</u>
OPERATING EXPENSES:			
Cost of sales and services.....	270,475	34,826	305,301
Depreciation.....	8,552	1,360	9,912
Provision for uncollectible accounts.....	-	151	151
TOTAL OPERATING EXPENSES.....	<u>279,027</u>	<u>36,337</u>	<u>315,364</u>
OPERATING INCOME (LOSS).....	<u>(3,101)</u>	<u>3,875</u>	<u>774</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income.....	1,223	411	1,634
Other revenues.....	150	-	150
Other expenses.....	-	(1,117)	(1,117)
NONOPERATING REVENUES (EXPENSES), NET.....	<u>1,373</u>	<u>(706)</u>	<u>667</u>
NET INCOME (LOSS).....	<u>(1,728)</u>	<u>3,169</u>	<u>1,441</u>
RETAINED EARNINGS, JULY 1, 1999.....	<u>38,909</u>	<u>28,431</u>	<u>67,340</u>
RETAINED EARNINGS, JUNE 30, 2000.....	<u>\$ 37,181</u>	<u>\$ 31,600</u>	<u>\$ 68,781</u>

COMBINING STATEMENT OF CASH FLOWS

Internal Service Funds

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss).....	\$ (3,101)	\$ 3,875	\$ 774
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation.....	8,552	1,360	9,912
Provision for uncollectible accounts.....	-	151	151
Nonoperating revenues.....	11	-	11
Nonoperating expenses.....	-	(97)	(97)
Changes in assets and liabilities:			
Receivables.....	(53)	(421)	(474)
Due from other funds.....	(7,574)	(1,482)	(9,056)
Due from component units.....	(1,259)	(1)	(1,260)
Due from other governments.....	(90)	596	506
Inventory.....	25	289	314
Other assets.....	-	(22)	(22)
Accounts payable and accrued liabilities.....	8,578	1,586	10,164
Due to other funds.....	(440)	51	(389)
Due to component units.....	(4)	-	(4)
Due to other governments.....	8	1	9
Deferred revenue.....	-	(3)	(3)
TOTAL ADJUSTMENTS.....	7,754	2,008	9,762
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	4,653	5,883	10,536
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Borrowings under advances from other funds.....	9,000	-	9,000
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES.....	9,000	-	9,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets.....	(11,948)	(1,863)	(13,811)
Proceeds from sale of capital assets.....	1,648	-	1,648
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....	(10,300)	(1,863)	(12,163)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments.....	(170,752)	(23,686)	(194,438)
Proceeds from sale and maturities of investments.....	166,165	19,324	185,489
Investment income.....	1,183	387	1,570
NET CASH USED FOR INVESTING ACTIVITIES.....	(3,404)	(3,975)	(7,379)
NET INCREASE (DECREASE) IN CASH.....	(51)	45	(6)
CASH, JULY 1, 1999.....	117	293	410
CASH, JUNE 30, 2000.....	\$ 66	\$ 338	\$ 404

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

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Trust and Agency Funds



Commonwealth of Pennsylvania

TRUST AND AGENCY FUNDS DESCRIPTION

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, a pension trust fund and agency funds.

EXPENDABLE TRUST FUNDS

Unemployment Compensation Fund — to account for the receipt of employer taxes and for the payment of unemployment compensation benefits to eligible individuals and to transfer and receive monies from the Federal Unemployment Trust Fund.

Workmen's Compensation Security Trust Fund — to account for the payment of workers compensation claims to individuals who are insured by an insolvent insurance company and for the administrative costs to administer the program. Funds are derived from an annual assessment on all insurance carriers authorized to transact and write workmen's compensation insurance in the Commonwealth.

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.

Other — to account for the payment of medical and rehabilitative expenses over \$100,000 to a lifetime aggregate of \$1 million to residents injured in a motor vehicle accident, the payment of claims arising from defaulting members of self-insurance pooling arrangements under the Workers' Compensation Act, or for reimbursement to aggrieved individuals upon judgments against any person licensed by the Real Estate Commission.

PENSION TRUST FUND

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.

INVESTMENT TRUST FUND

INVEST Program For Local Governments — to pool and invest amounts owned by local governments and school districts.

AGENCY FUNDS

Underground Storage Tank Indemnification Fund — to collect and administer funds for a program to provide claim payments to owners and operators of underground storage tanks who incur a liability for taking corrective action, for bodily injury or for property damage caused by a release from underground storage tanks.

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

Agency Custodial Accounts — to account for the assets of patients, inmates and other non-Commonwealth funds for which the Commonwealth is the account custodian.

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

Municipal Pension Aid Fund — to account for foreign (out-of-state) casualty insurance company tax revenue, which is distributed to municipalities to help defray municipal, police and fire pension fund costs.

Medical Professional Liability Catastrophe Loss Fund — to pay judgments, awards, or settlements in medical malpractice claims which exceed basic limits of coverage provided in professional liability insurance policies. Revenue is derived from annual participant surcharges.

Other — to collect and administer funds from various sources for distribution to other state and local governments or the Federal Government.

COMBINING BALANCE SHEET
Trust and Agency Funds

June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
 (Expressed in Thousands)

	Expendable Trust Funds	Pension Trust Fund	Investment Trust Fund	Agency Funds	Total
ASSETS					
Cash.....	\$ 141	\$ -	\$ -	\$ 14,923	\$ 15,064
Cash with fiscal agents.....	2,933,698	-	-	4,263	2,937,961
Temporary investments.....	914,817	672,158	982,227	573,214	3,142,416
Long-term investments.....	952,822	29,142,356	-	322,413	30,417,591
Receivables, net:					
Taxes.....	296,806	-	-	-	296,806
Accounts.....	9,491	-	2,488	163,885	175,864
Accrued interest.....	6,807	98,656	-	2,838	108,301
Loans.....	-	-	-	5,887	5,887
Investment proceeds.....	-	79,104	-	-	79,104
Other.....	1	1,389	-	-	1,390
Due from other funds.....	32,599	2,456	-	14,655	49,710
Due from component units.....	273	4,530	-	-	4,803
Due from other governments.....	15,978	6,762	-	-	22,740
Other assets.....	232	-	-	449,956	450,188
TOTAL ASSETS	<u>\$ 5,163,665</u>	<u>\$ 30,007,411</u>	<u>\$ 984,715</u>	<u>\$ 1,552,034</u>	<u>\$ 37,707,825</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities.....	\$ 117,880	\$ 40,287	\$ 4,967	\$ 23,606	\$ 186,740
Tax refunds payable.....	3,679	-	-	-	3,679
Investment purchases payable.....	-	790,110	-	-	790,110
Obligations under securities lending.....	391,788	1,083,831	-	-	1,475,619
Due to other funds.....	30,658	2	-	787	31,447
Due to other governments.....	2,951	-	-	233,833	236,784
Other liabilities.....	-	-	-	1,293,808	1,293,808
TOTAL LIABILITIES	<u>546,956</u>	<u>1,914,230</u>	<u>4,967</u>	<u>1,552,034</u>	<u>4,018,187</u>
Fund Balance:					
Reserved for:					
Encumbrances.....	4,304	-	-	-	4,304
Pension benefits.....	-	28,093,181	-	-	28,093,181
Deferred compensation.....	913,822	-	-	-	913,822
Investment trust	-	-	979,748	-	979,748
Unreserved:					
Undesignated.....	3,698,583	-	-	-	3,698,583
TOTAL FUND BALANCES	<u>4,616,709</u>	<u>28,093,181</u>	<u>979,748</u>	<u>-</u>	<u>33,689,638</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,163,665</u>	<u>\$ 30,007,411</u>	<u>\$ 984,715</u>	<u>\$ 1,552,034</u>	<u>\$ 37,707,825</u>

COMBINING BALANCE SHEET
Expendable Trust Funds

June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
 (Expressed in Thousands)

	Unemployment Compensation	Workmen's Compensation Security Trust	Deferred Compensation (December 31, 1999)	Other	Total
ASSETS					
Cash.....	\$ 130	\$ 9	\$ 1	\$ 1	\$ 141
Cash with fiscal agents.....	2,933,698	-	-	-	2,933,698
Temporary investments.....	967	816,091	54,893	42,866	914,817
Long-term investments.....	-	93,248	859,574	-	952,822
Receivables, net:					
Taxes.....	296,806	-	-	-	296,806
Accounts.....	2,033	-	-	7,458	9,491
Accrued interest.....	5	6,128	364	310	6,807
Other.....	-	-	1	-	1
Due from other funds.....	2,054	30,545	-	-	32,599
Due from component units.....	273	-	-	-	273
Due from other governments.....	15,978	-	-	-	15,978
Other assets.....	-	232	-	-	232
TOTAL ASSETS	\$ 3,251,944	\$ 946,253	\$ 914,833	\$ 50,635	\$ 5,163,665
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities.....	\$ 68,393	\$ 32,509	\$ 934	\$ 16,044	\$ 117,880
Tax refunds payable.....	3,679	-	-	-	3,679
Obligations under securities lending.....	-	391,788	-	-	391,788
Due to other funds.....	-	25	77	30,556	30,658
Due to other governments.....	2,951	-	-	-	2,951
TOTAL LIABILITIES	75,023	424,322	1,011	46,600	546,956
Fund Balance:					
Reserved for:					
Encumbrances.....	-	4,304	-	-	4,304
Deferred compensation.....	-	-	913,822	-	913,822
Unreserved:					
Undesignated.....	3,176,921	517,627	-	4,035	3,698,583
TOTAL FUND BALANCES	3,176,921	521,931	913,822	4,035	4,616,709
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,251,944	\$ 946,253	\$ 914,833	\$ 50,635	\$ 5,163,665

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

Expendable Trust Funds

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Unemployment Compensation	Workmen's Compensation Security Trust	Deferred Compensation (December 31, 1999)	Other	Total
REVENUES:					
Taxes.....	\$ 5,824	\$ -	\$ -	\$ -	\$ 5,824
Unemployment taxes.....	1,451,848	-	-	-	1,451,848
Licenses and fees.....	-	28,950	-	40,402	69,352
Intergovernmental.....	50,284	-	-	-	50,284
Investment income.....	176,007	45,943	111,632	2,172	335,754
Other.....	547	4	97,507	259	98,317
TOTAL REVENUES	1,684,510	74,897	209,139	42,833	2,011,379
EXPENDITURES:					
Current:					
General government.....	-	3,366	23,625	980	27,971
Protection of persons and property.....	-	23,058	-	17,274	40,332
Public health and welfare.....	1,437,222	-	-	-	1,437,222
Debt service:					
Interest and fiscal charges.....	-	20,329	-	-	20,329
TOTAL EXPENDITURES	1,437,222	46,753	23,625	18,254	1,525,854
REVENUES OVER					
EXPENDITURES	247,288	28,144	185,514	24,579	485,525
FUND BALANCES (DEFICIT),					
JULY 1, 1999	2,929,633	493,787	728,308	(20,544)	4,131,184
FUND BALANCES,					
JUNE 30, 2000	\$ 3,176,921	\$ 521,931	\$ 913,822	\$ 4,035	\$ 4,616,709

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Agency Funds

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2000</u>
UNDERGROUND STORAGE TANK				
INDEMNIFICATION FUND				
ASSETS				
Cash.....	\$ 133	\$ 1,473,510	\$ 1,463,446	\$ 10,197
Temporary investments.....	364,616	1,143,766	1,447,961	60,421
Long-term investments.....	-	284,036	-	284,036
Receivables, net:				
Loans.....	3,582	2,305	-	5,887
Accrued interest.....	1,491	48	1,491	48
TOTAL ASSETS	<u>\$ 369,822</u>	<u>\$ 2,903,665</u>	<u>\$ 2,912,898</u>	<u>\$ 360,589</u>
LIABILITIES				
Accounts payable and accrued liabilities.....	\$ 8,533	\$ 13,033	\$ 8,533	\$ 13,033
Due to other funds.....	28	51	28	51
Due to other governments.....	2	330	2	330
Other liabilities.....	361,259	31,909	45,993	347,175
TOTAL LIABILITIES	<u>\$ 369,822</u>	<u>\$ 45,323</u>	<u>\$ 54,556</u>	<u>\$ 360,589</u>
STATUTORY LIQUIDATOR FUND				
ASSETS				
Cash.....	\$ 1	\$ 12,503	\$ 12,503	\$ 1
Cash with fiscal agents.....	8,925	4,263	8,925	4,263
Temporary investments.....	87,070	111,381	87,070	111,381
Long-term investments.....	76,298	-	37,928	38,370
Receivables, net:				
Accounts.....	166,748	153,020	166,748	153,020
Accrued interest.....	670	757	670	757
Due from other funds.....	247	31	247	31
Other assets.....	434,651	445,554	434,651	445,554
TOTAL ASSETS	<u>\$ 774,610</u>	<u>\$ 727,509</u>	<u>\$ 748,742</u>	<u>\$ 753,377</u>
LIABILITIES				
Other liabilities.....	\$ 774,610	\$ -	\$ 21,233	\$ 753,377
TOTAL LIABILITIES	<u>\$ 774,610</u>	<u>\$ -</u>	<u>\$ 21,233</u>	<u>\$ 753,377</u>
AGENCY CUSTODIAL ACCOUNTS				
ASSETS				
Cash.....	\$ 3,295	\$ 51,393	\$ 51,578	\$ 3,110
Temporary investments.....	14,403	4,641	5,210	13,834
Long-term investments.....	12	-	5	7
Receivables, net:				
Accounts.....	4,927	7,349	4,927	7,349
Other assets.....	4,809	125	532	4,402
TOTAL ASSETS	<u>\$ 27,446</u>	<u>\$ 63,508</u>	<u>\$ 62,252</u>	<u>\$ 28,702</u>
LIABILITIES				
Accounts payable and accrued liabilities.....	\$ 5,054	\$ 5,147	\$ 5,054	\$ 5,147
Other liabilities.....	22,392	28,712	27,549	23,555
TOTAL LIABILITIES	<u>\$ 27,446</u>	<u>\$ 33,859</u>	<u>\$ 32,603</u>	<u>\$ 28,702</u>

(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Agency Funds (continued)

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Balance <u>July 1, 1999</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2000</u>
FIRE INSURANCE TAX FUND				
ASSETS				
Cash.....	\$ 1	\$ 109,155	\$ 109,156	\$ -
Temporary investments.....	53,334	56,080	54,993	54,421
Receivables, net:				
Accrued interest.....	235	284	235	284
TOTAL ASSETS	\$ 53,570	\$ 165,519	\$ 164,384	\$ 54,705
LIABILITIES				
Due to other funds.....	\$ 235	\$ 284	\$ 235	\$ 284
Due to other governments.....	53,312	54,159	53,176	54,295
Other liabilities.....	23	126	23	126
TOTAL LIABILITIES	\$ 53,570	\$ 54,569	\$ 53,434	\$ 54,705
MUNICIPAL PENSION AID FUND				
ASSETS				
Cash.....	\$ -	\$ 271,254	\$ 271,254	\$ -
Temporary investments.....	121,024	140,961	131,462	130,523
Receivables, net:				
Accrued interest.....	488	3,217	3,006	699
Due from other funds.....	290	278	290	278
TOTAL ASSETS	\$ 121,802	\$ 415,710	\$ 406,012	\$ 131,500
LIABILITIES				
Due to other funds.....	\$ 1	\$ -	\$ 1	\$ -
Due to other governments.....	121,748	136,575	127,125	131,198
Other liabilities.....	53	302	53	302
TOTAL LIABILITIES	\$ 121,802	\$ 136,877	\$ 127,179	\$ 131,500
MEDICAL PROFESSIONAL LIABILITY CATASTROPHE LOSS FUND				
ASSETS				
Cash.....	\$ 1,905	\$ 628,577	\$ 630,327	\$ 155
Temporary investments.....	170,555	308,893	311,497	167,951
Receivables, net:				
Accounts.....	3,198	3,511	3,198	3,511
Accrued interest.....	681	10,526	10,332	875
TOTAL ASSETS	\$ 176,339	\$ 951,507	\$ 955,354	\$ 172,492
LIABILITIES				
Accounts payable and accrued liabilities.....	\$ 6,226	\$ 13,864	\$ 14,664	\$ 5,426
Due to other funds.....	57	26	57	26
Due to other governments.....	12	7	12	7
Deferred revenue.....	67	-	67	-
Other liabilities.....	169,977	300,666	303,610	167,033
TOTAL LIABILITIES	\$ 176,339	\$ 314,563	\$ 318,410	\$ 172,492

(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Agency Funds (continued)

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Balance Julv 1, 1999	Additions	Deductions	Balance June 30, 2000
OTHER FUNDS				
ASSETS				
Cash.....	\$ 1,875	\$ 1,040,529	\$ 1,040,944	\$ 1,460
Temporary investments.....	31,923	504,537	501,777	34,683
Receivables, net:				
Accounts.....	5	-	-	5
Accrued interest.....	125	282	232	175
Due from other funds.....	29,396	14,346	29,396	14,346
TOTAL ASSETS	\$ 63,324	\$ 1,559,694	\$ 1,572,349	\$ 50,669
LIABILITIES				
Due to other funds.....	\$ 396	\$ 426	\$ 396	\$ 426
Due to other governments.....	60,815	523,942	536,754	48,003
Other liabilities.....	2,113	140	13	2,240
TOTAL LIABILITIES	\$ 63,324	\$ 524,508	\$ 537,163	\$ 50,669
TOTAL — ALL FUNDS				
ASSETS				
Cash.....	\$ 7,210	\$ 3,586,921	\$ 3,579,208	\$ 14,923
Cash with fiscal agents.....	8,925	4,263	8,925	4,263
Temporary investments.....	842,925	2,270,259	2,539,970	573,214
Long-term investments.....	76,310	284,036	37,933	322,413
Receivables, net:				
Accounts.....	174,878	163,880	174,873	163,885
Accrued interest.....	3,690	15,114	15,966	2,838
Loans.....	3,582	2,305	-	5,887
Due from other funds.....	29,933	14,655	29,933	14,655
Other assets.....	439,460	445,679	435,183	449,956
TOTAL ASSETS	\$ 1,586,913	\$ 6,787,112	\$ 6,821,991	\$ 1,552,034
LIABILITIES				
Accounts payable and accrued liabilities.....	\$ 19,813	\$ 32,044	\$ 28,251	\$ 23,606
Due to other funds.....	717	787	717	787
Due to other governments.....	235,889	715,013	717,069	233,833
Deferred revenue.....	67	-	67	-
Other liabilities.....	1,330,427	361,855	398,474	1,293,808
TOTAL LIABILITIES	\$ 1,586,913	\$ 1,109,699	\$ 1,144,578	\$ 1,552,034

General Fixed Assets Account Group



Commonwealth of Pennsylvania

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.

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
(Expressed in Thousands)

CATEGORY	<u>Balance July 1, 1999</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2000</u>
Land	\$ 257,946	\$ 2,298	\$ 564	\$ 259,680
Buildings	3,065,696	60,108	19,871	3,105,933
Improvements other than buildings	265,998	29,766	56	295,708
Machinery and equipment	<u>606,327</u>	<u>55,955</u>	<u>60,901</u>	<u>601,381</u>
	4,195,967	148,127	81,392	4,262,702
Construction in progress	<u>654,351</u>	<u>254,632</u>	<u>72,178</u>	<u>836,805</u>
Total General Fixed Assets	<u>\$ 4,850,318</u>	<u>\$ 402,759</u>	<u>\$ 153,570</u>	<u>\$ 5,099,507</u>
 INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE				
Acquired before July 1, 1986	\$ 1,881,317	\$ -	\$ 27,529	\$ 1,853,788
Acquired after June 30, 1986 from:				
General fund	902,447	44,998	46,737	900,708
General obligation bonds	1,001,930	47,258	3,485	1,045,703
Federal grants	38,481	619	59	39,041
Special revenue funds	358,492	53,495	3,582	408,405
Local funds	31	-	-	31
Donations	13,075	1,757	-	14,832
Confiscations	<u>194</u>	<u>-</u>	<u>-</u>	<u>194</u>
Total sources	4,195,967	148,127	81,392	4,262,702
Construction in progress	<u>654,351</u>	<u>254,632</u>	<u>72,178</u>	<u>836,805</u>
Total Investment in General Fixed Assets	<u>\$ 4,850,318</u>	<u>\$ 402,759</u>	<u>\$ 153,570</u>	<u>\$ 5,099,507</u>

Funding sources for General Fixed Assets acquired before July 1, 1986 are not available.

SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION

June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
(Expressed in Thousands)

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
FUNCTION					
General government.....	\$ 10,071	\$ 504,776	\$ 25,585	\$ 54,545	\$ 594,977
Protection of persons and property.....	16,871	1,363,508	156,540	78,770	1,615,689
Public health and welfare.....	1,913	469,899	20,285	60,904	553,001
Public education.....	17,427	640,119	66,179	2,648	726,373
Conservation of natural resources.....	210,769	78,236	20,940	36,685	346,630
Economic development and assistance.....	-	-	-	333	333
Transportation.....	2,629	49,395	6,179	367,496	425,699
Totals Allocated To Functions.....	<u>\$ 259,680</u>	<u>\$ 3,105,933</u>	<u>\$ 295,708</u>	<u>\$601,381</u>	4,262,702
Construction in progress.....					<u>836,805</u>
Total General Fixed Assets.....					<u>\$ 5,099,507</u>

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION

For the Fiscal Year Ended June 30, 2000

COMMONWEALTH OF PENNSYLVANIA
(Expressed in Thousands)

	<u>Balance July 1, 1999</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Balance June 30, 2000</u>
General government.....	\$ 595,815	\$ 7,921	\$ 43,244	\$ 38,921	\$ 4,436	\$ 594,977
Protection of persons and property.....	1,600,111	25,420	6,320	842	4,364	1,615,689
Public health and welfare.....	577,659	16,323	30,789	66	10,258	553,001
Public education.....	696,488	29,885	-	-	-	726,373
Conservation of natural resources.....	316,585	30,039	156	162	-	346,630
Economic development and assistance ...	333	-	-	-	-	333
Transportation.....	408,976	38,539	883	98	21,031	425,699
	4,195,967	148,127	81,392	40,089	40,089	4,262,702
Construction in progress.....	654,351	254,632	72,178	-	-	836,805
Total General Fixed Assets.....	<u>\$ 4,850,318</u>	<u>\$ 402,759</u>	<u>\$ 153,570</u>	<u>\$ 40,089</u>	<u>\$ 40,089</u>	<u>\$ 5,099,507</u>

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Statistical Section



Commonwealth of Pennsylvania

TABLE 1
For the Last Ten Fiscal Years Ended June 30

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

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	1991	1992	1993	1994 ⁽²⁾	1995 ⁽²⁾	1996 ⁽²⁾	1997 ⁽²⁾	1998 ⁽²⁾	1999 ⁽²⁾	2000 ⁽²⁾
REVENUES BY SOURCE										
Taxes.....	\$ 11,980,586	\$ 15,444,361	\$ 15,467,501	\$ 16,094,540	\$ 16,990,198	\$ 17,220,048	\$ 18,168,581	\$ 19,043,735	\$ 20,105,276	\$ 20,956,743
Licenses and fees.....	685,196	699,141	717,508	740,723	773,463	796,150	804,429	1,004,050	1,019,256	1,143,789
Intergovernmental.....	5,165,068	6,004,765	6,949,683	7,822,596	7,959,997	9,517,277	9,499,083	9,669,407	10,563,455	11,093,738
Charges for sales and services.....	1,015,169	1,754,679	1,654,175	847,520	894,852	1,311,375	1,516,527	1,697,933	2,057,375	2,489,196
Investment income.....	158,280	141,433	94,362	79,329	145,124	152,724	174,604	225,805	258,525	396,499
Lottery receipts.....	1,520,943	1,374,271	1,440,784	1,574,949	1,595,726	1,699,277	1,722,558	1,684,015	1,659,305	1,695,371
Other ⁽³⁾	411,195	343,661	348,727	171,555	167,452	228,931	187,592	178,042	214,254	656,086
TOTAL REVENUES	\$ 20,936,437	\$ 25,762,311	\$ 26,672,740	\$ 27,331,212	\$ 28,526,812	\$ 30,925,782	\$ 32,073,374	\$ 33,502,987	\$ 35,877,446	\$ 38,431,422
EXPENDITURES BY FUNCTION										
General government.....	\$ 1,890,388	\$ 1,917,410	\$ 2,004,638	\$ 2,152,254	\$ 2,313,118	\$ 2,630,517	\$ 2,468,746	\$ 2,586,529	\$ 2,722,917	\$ 2,817,426
Protection of persons and property.....	1,291,746	1,377,461	1,466,885	1,772,639	1,927,228	2,345,462	2,462,026	2,613,021	2,785,269	2,933,612
Public health and welfare.....	9,200,299	11,132,219	11,288,552	11,810,077	12,249,729	13,651,317	13,907,167	14,341,539	15,320,410	16,486,542
Public education.....	5,852,950	6,015,589	6,460,659	6,784,190	7,006,744	7,417,504	7,397,274	7,714,443	7,842,732	8,283,144
Conservation of natural resources.....	431,006	468,431	483,644	525,401	571,502	348,639	369,467	396,087	436,601	510,732
Economic development and assistance.....	315,362	302,028	284,940	272,212	338,377	285,092	300,310	338,984	469,005	539,068
Transportation.....	2,391,785	2,265,894	2,536,894	2,695,546	2,773,086	2,832,031	2,912,583	3,243,334	3,654,269	3,679,188
Capital outlay.....	298,506	207,168	418,062	210,083	264,464	319,195	253,758	360,238	582,863	586,801
Debt service:										
Principal retirement.....	526,625	568,900	594,472	482,344	516,705	447,790	437,880	435,090	443,675	479,350
Interest and fiscal charges.....	452,986	487,479	430,947	291,731	301,480	289,138	287,866	263,356	262,669	277,044
TOTAL EXPENDITURES	\$ 22,651,653	\$ 24,742,579	\$ 25,969,693	\$ 26,996,477	\$ 28,262,433	\$ 30,566,685	\$ 30,797,077	\$ 32,292,621	\$ 34,520,410	\$ 36,592,907

(1) Included General, Special Revenue, Debt Service, Capital Projects Funds and Discretely Presented Governmental Fund Component Units, through June 30, 1993.

(2) Prior to 1989, lease rental principal and interest payments, included as other revenue, were classified as "Other Financing Sources."

(3) Includes primary government only.

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>
1990	\$ 4,633,507	11,895	\$ 390
1991	4,787,512	11,946	401
1992	4,873,542	11,989	407
1993	5,040,938	12,026	419
1994	5,100,012	12,040	423
1995	5,040,662	12,044	418
1996	5,061,530	12,038	420
1997	4,841,729	12,015	403
1998	4,841,324	12,002	403
1999	5,253,614	11,994	438

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

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

TABLE 3
For the Last Ten Fiscal Years

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

<u>For The Fiscal Year Ended June 30</u>	<u>Debt Service Requirements Funded by General Fund</u>	<u>Budgetary Basis General Fund Expenditures⁽¹⁾</u>	<u>%</u>
1991	\$ 456,325	\$ 16,251,111	2.81
1992	521,875	19,540,459	2.67
1993	497,045	19,986,749	2.49
1994	512,094	21,060,058	2.43
1995	525,889	22,467,672	2.34
1996	551,133	23,480,336	2.35
1997	649,759	23,384,414	2.78
1998	624,642	24,891,340	2.51
1999	761,572	26,624,901	2.86
2000	627,817	28,755,784	2.18

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

COMPUTATION OF LEGAL DEBT MARGIN

TABLE 4

As of August 31, 2000

COMMONWEALTH OF PENNSYLVANIA

Average annual tax revenues deposited in the previous five fiscal years	\$ 22,097,372,526
Constitutional factor	<u>x 1.75</u>
Constitutional debt limit for debt incurred without the approval of the electors	38,670,401,921
Less outstanding net debt (non-electorate approved)	<u>4,106,897,637</u>
Legal debt margin	<u>\$ 34,563,504,284</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 by the electors prior to the adoption of this article.
- (2) The Governor, State Treasurer and Auditor General, acting jointly, may (i) issue tax anticipation notes having a maturity within the fiscal year of issue and payable exclusively from revenues received in the same fiscal year, and (ii) incur debt for the purpose of refunding other debt, if such refunding debt matures within the term of the original debt.
- (3) Debt may be incurred without limit for purposes specifically itemized in the law authorizing such debt, if the question whether the debt shall be incurred has been submitted to the electors and approved by a majority of those voting on the question.
- (4) Debt may be incurred without the approval of the electors for capital projects specifically itemized in a capital budget if such debt will not cause the amount of all net debt outstanding to exceed one and three-quarters times the average of the annual tax revenues deposited in the previous five fiscal years as certified by the Auditor General. For the purposes of this subsection, debt outstanding shall not include debt incurred under clauses (1) and (2)(i), or debt incurred under clause (2)(ii) if the original debt would not be so considered, or debt incurred under subsection (3) unless the General Assembly shall so provide in the law authorizing such debt.

The figures above are abstracted from a certification of the Auditor General dated August 31, 2000.

SCHEDULE OF REVENUE BOND COVERAGE

TABLE 5

For the Last Ten Fiscal Years

COMMONWEALTH OF PENNSYLVANIA

Pennsylvania Turnpike Commission ^(b)							
(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	
1991	\$ 246,985	\$ 115,103	\$ 131,882	\$ 64,135	\$ 75,811	\$ 139,946	0.94
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
1994	344,617	142,915	201,702	9,405	70,892	80,297	2.51
1995	375,754	146,325	229,429	15,715	72,548	88,263	2.60
1996	389,774	162,150	227,624	23,900	75,644	99,544	2.29
1997	398,897	158,705	240,192	22,845	74,462	97,307	2.47
1998	410,266	165,763	244,503	28,240	72,274	100,514	2.43
1999	441,235	190,179	251,056	29,085	86,483	115,568	2.17
2000	458,728	180,671	278,057	36,775	90,784	127,559	2.18

Pennsylvania Industrial Development Authority ^(b)							
(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	
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	0.76
1993	25,204	2,368	22,836	10,645	18,595	29,240	0.78
1994	29,802	2,138	27,664	23,085	19,116	42,201	0.66
1995	30,806	2,864	27,942	4,335	20,123	24,458	1.14
1996	30,487	2,898	27,589	10,695	19,747	30,442	0.91
1997	32,963	2,865	30,098	12,955	22,314	35,269	0.85
1998	35,967	2,861	33,106	19,380	22,852	42,232	0.78
1999	30,227	3,187	27,040	20,660	21,845	42,505	0.64
2000	34,581	3,315	31,266	22,585	20,615	43,200	0.72

Pennsylvania Housing Finance Agency ^(b)							
(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	
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	0.99
1993	200,268	9,803	190,465	27,410	166,480	193,890	0.98
1994	194,025	13,325	180,700	29,426	143,904	173,330	1.05
1995	196,023	16,095	179,928	51,406	139,621	191,027	0.94
1996	208,048	16,979	191,069	40,839	146,452	187,291	1.02
1997	222,736	16,748	205,988	39,463	157,989	197,452	1.04
1998	247,841	17,931	229,910	43,558	172,268	215,826	1.06
1999	237,346	19,544	217,802	54,438	175,337	229,775	0.95
2000	249,336	20,303	229,033	93,240	176,399	269,639	0.85

^(a) Excludes interest on notes payable.

^(b) Discretely Presented Component Unit.

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

TABLE 6
For the Last Ten Calendar Years

COMMONWEALTH OF PENNSYLVANIA

<u>Calendar Year</u>	(Expressed in Thousands)		<u>%</u>
	<u>United States</u>	<u>Pennsylvania</u>	
1990	249,398	11,895	4.80
1991	252,106	11,946	4.70
1992	255,011	11,989	4.70
1993	257,753	12,026	4.66
1994	260,289	12,040	4.63
1995	262,803	12,044	4.58
1996	265,228	12,038	4.54
1997	267,783	12,015	4.49
1998	270,248	12,002	4.44
1999	272,690	11,994	4.40

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

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

TABLE 7
For the Last Ten Calendar Years

COMMONWEALTH OF PENNSYLVANIA

<u>Calendar Year</u>	(Expressed in Thousands)	
	<u>Demand Deposits</u>	<u>Time and Savings Deposits</u>
1990	\$ 6,453,740	\$ 50,542,812
1991	6,308,495	52,112,591
1992	7,150,024	51,434,858
1993	7,620,397	54,334,637
1994	6,952,868	49,674,200
1995	7,124,441	51,766,777
1996	4,233,735	37,254,292
1997	4,764,449	40,036,785
1998	4,581,076	35,885,048
1999	4,469,669	38,497,993

SOURCE: Pennsylvania Department of Banking

TABLE 8
For the Last Ten Calendar Years

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

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
COMMONWEALTH OF PENNSYLVANIA										
(Expressed in Thousands Except Percents)										
PENNSYLVANIA										
Civilian labor force.....	5,791	5,826	5,886	5,889	5,826	5,838	5,903	5,984	5,936	5,969
Employment.....	5,476	5,419	5,440	5,470	5,465	5,495	5,590	5,673	5,661	5,707
Unemployment.....	315	407	446	416	360	343	313	311	275	262
Rate %.....	5.4	6.9	7.5	7.1	6.2	5.9	5.3	5.2	4.6	4.4
UNITED STATES										
Civilian labor force.....	125,840	126,346	128,105	129,200	131,056	132,304	133,943	136,297	137,674	139,368
Employment.....	118,793	117,718	118,492	120,260	123,060	124,900	126,708	129,558	131,464	133,488
Unemployment.....	7,047	8,628	9,613	8,940	7,996	7,404	7,235	6,739	6,210	5,880
Rate %.....	5.6	6.8	7.5	6.9	6.1	5.6	5.4	4.9	4.5	4.2

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	%
1990	4,786,293	230,894	4.80	19,191	19,410	101.10
1991	4,963,545	239,478	4.80	19,689	20,047	101.80
1992	5,260,922	252,224	4.80	20,631	21,038	102.00
1993	5,469,485	260,109	4.80	21,220	21,635	102.00
1994	5,741,050	269,002	4.70	22,056	22,343	101.30
1995	6,192,235	285,923	4.60	23,562	23,738	100.70
1996	6,538,103	299,001	4.60	24,651	24,838	100.75
1997	6,942,114	314,944	4.50	25,924	26,211	101.10
1998	7,351,547	329,687	4.40	27,203	27,469	101.00
1999	7,776,493	342,946	4.40	28,518	28,676	100.60

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

THIRTY LARGEST NONGOVERNMENTAL EMPLOYERS

TABLE 10

For the Calendar Year 1999

COMMONWEALTH OF PENNSYLVANIA

EMPLOYER	RANK
Wal-Mart Stores, Inc.....	1
Trustees of the University of Pennsylvania.....	2
US Airways, Inc.	3
Pennsylvania State University.....	4
United Parcel Services, Inc.	5
K-Mart Corporation.	6
Sears Roebuck and Company	7
Weis Markets, Inc.	8
Mellon Bank, NA.....	9
University of Pittsburgh.....	10
Bell Atlantic.....	11
May Department Stores company.....	12
Giant Food Stores, Inc.	13
PNC Bank, NA.....	14
Merck & Co., Inc.....	15
J C Penney Company, Inc.	16
Aramark Service Management.....	17
Tenet Healthsystems Philadelphia	18
Lucent Technologies, Inc.	19
Acme Markets, Inc.	20
Boscov's Department Stores.....	21
Hershey Foods Corporation.....	22
Giant Eagle, Inc.....	23
Vanguard Group Inc.....	24
University of Pittsburgh Medical Center	25
Highmark Blue Cross/Blue Shield.....	26
First Union Corp.	27
Eckard Drug Stores	28
Southeastern PA Transportation	29
Temple University.....	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

Air Products and Chemicals, Inc.	Harsco Corporation
Airgas, Inc.	Hershey Foods Corporation
Alcoa, Inc.	Ikon Office Solutions, Inc.
Amco, Inc.	Jones Apparel Group, Inc.
Amerisource Health	Kennametal, Inc.
Ametek, Inc.	Knoll, Inc.
Amkor Technology, Inc.	Nova Care, Inc.
Armstrong World Industries, Inc.	P.H. Glatfelter Company
Bethlehem Steel Corporation	Pep Boys
Brandywine Realty Trust	PPG Industries, Inc.
Bon-Ton Stores	Rite Aid Corporation
Cable Design Technology Corporation	Rohm and Haas Company
Carpenter Technology Corporation	Shared Medical Systems Corporation
CDI Corporation	SmithKline Beecham Corp.
Charming Shoppes, Inc.	SPS Technologies, Inc.
Comcast Corporation	Sungard Data System, Inc.
Consol Energy, Inc.	Sunoco, Inc.
Consolidated Stores Corporation	Teleflex, Inc.
Crown Cork and Seal Company	Toll Brothers, Inc.
Decision One Holdings Corporation	Unisource Worldwide, Inc.
Dentsply International, Inc.	UNISYS Corporation
Exide Corporation	Universal Health Services, Inc.
Federated Investors, Inc.	USX Corporation
Foamex International, Inc.	Vishay Intertechnology, Inc.
General Instrument Corporation	VWR Scientific Products Corporation
Genesis Health Ventures, Inc.	Weis Markets, Incorporated
Grove Worldwide	Wesco International
H. J. Heinz Company	York International Corporation

SOURCE: *Fortune*, April 2000 and *Ward's Business Directory*.

June 30, 2000

COMMONWEALTH OF PENNSYLVANIA

Date of Ratification of U.S. Constitution	December 12, 1787
Form of Government	Legislative-Executive-Judicial
Miles of State Highway	40,101
Land Area – in square miles	44,888
State Police Protection:	
Number of Stations	90
Number of State Police	4,113
Higher Education (Universities, Colleges and Community Colleges):	
Number of campuses in state	238
Number of educators	22,782
Number of students	647,290
Recreation:	
Number of State Parks	116
Area of State Parks	279,394 Acres
Area of State Forests	2,100,113 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 Conservation and Natural Resources, Bureau of Forestry

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