

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 1994



**Commonwealth of Pennsylvania**  
**Robert P. Casey**  
**Governor**

**Prepared By:**

**Office of the Budget**  
*Michael H. Hershock, Secretary*

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

**Commonwealth of Pennsylvania  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 1994**

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COMMONWEALTH OF PENNSYLVANIA  
GOVERNOR'S OFFICE  
HARRISBURG

December 9, 1994

STEVEN H. ROSSKOPF  
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 represents this Administration's continued commitment to sound fiscal management and to responsible financial reporting based on nationally recognized standards. This CAFR, which includes the Commonwealth's independently audited general purpose financial statements as of and for the fiscal year ended June 30, 1994, will provide you and the financial community with all the information required to fully assess the Commonwealth's financial position, results of operations and the management of its financial resources.

The 1993-94 fiscal year was a year of continuing economic recovery in which employment increased, unemployment declined and personal income increased at a higher rate than the prior year. These economic trends led to a 6.4 percent increase in budgetary basis tax revenues of the General Fund, a substantial increase over the 1.0 percent decrease during the 1992-93 fiscal year. Total budgetary basis revenues of the General Fund for the 1993-94 fiscal year increased by 5.5 percent, also well above the rate for the 1992-93 fiscal year. Revenues for the 1993-94 fiscal year were within 2.0 percent of the revenue estimate. This accuracy has been an important component of effective budgeting during these last several turbulent years.

The Commonwealth ended the 1993-94 fiscal year with a \$336 million surplus on a budgetary basis, prior to the transfer of \$34 million to the Tax Stabilization Reserve (Rainy Day) Fund, while implementing an aggressive agenda of expanding economic development and job programs, providing for children's health and education and opening new prisons. The surplus was generated by containing Medical Assistance costs, refinancing long-term debt and restraining spending in all areas of government operations.

During the year ended June 30, 1994, housing capacity for incarcerated offenders increased by over 3,000 beds as construction was completed on a 1,000 cell maximum security prison located in Greene County and additional cells were occupied at the four correctional institutions opened during the latter part of 1993. In addition, construction began on a new 1,000 cell prison in Clearfield County.

The Commonwealth continued its long-term commitment to economic development by providing \$13.4 million to the Industrial Communities Program to restore blighted industrial sites to productive use and by transferring \$65.5 million from the General Fund to the Pennsylvania Economic Revitalization Fund (PERF) for job creation efforts.

Within PERF-funded programs, we provided \$14.5 million for the Business Infrastructure Development Program which makes grants and loans to local sponsors for specific infrastructure improvements that complement private industrial development. We also provided \$7.8 million from the General Fund for the Industrial Resource Centers Program which assists traditional and emerging manufacturing firms with implementing modern manufacturing technologies.

We provided \$26 million from the Sunny Day Fund to help private industries expand and to attract new businesses to Pennsylvania. We appropriated \$41.5 million from the General Fund and PERF for the Housing and Redevelopment Program which provides grants to redevelop blighted neighborhoods and to rehabilitate low and moderate-income housing.

Education continues to be the cornerstone of Pennsylvania's future. We provided \$3.09 billion to our public schools through the Equalized Subsidy for Basic Education and the Equity Supplement. Total funding for basic education was \$5.23 billion, including funding for special education, pupil transportation, teacher retirement and social security, and special programs to address the needs of economically and educationally at-risk students. In addition, we provided over \$1.439 billion for higher education institutions and students.

The Commonwealth continued to support its military veterans by admitting patients to the 148 bed addition at the Hollidaysburg Veterans Home, continuing renovations at the Southeastern Veterans Home that will provide 192 new nursing beds in 1994-95 and opening a newly constructed 200 bed veterans home in Scranton during 1994-95.

During the 1993-94 fiscal year, several major pieces of legislation were enacted that created new programs or expanded existing programs:

- Act 1993-44 amended Worker's Compensation by placing a maximum reimbursement cap of 113 percent on medical payments to medical providers for workers' injuries and illnesses; setting parameters to qualify as self-insured; establishing a Self-Insurance Guaranty Fund; requiring self-insured employers to maintain an accident and illness prevention program for retention of self-insured status; authorizing the Insurance Department to refer cases of insurance fraud to appropriate officials; and assigning duties to the Office of Small Business Advocate in the Department of Commerce.
- Act 1993-50 establishes the Keystone Recreation, Park and Conservation Fund Act which provides that 15 percent of Realty Transfer Tax collections be used for deferred maintenance at State parks and historical sites, and authorized a \$50 million bond referendum for State and local parks, museums, zoos and libraries. The referendum was approved November 2, 1993.
- Act 1993-62 amends the Domestic Relations Code to increase Family Support including: enabling the Department of Public Welfare to intervene in support proceedings; defining paternity and support procedures; and suspending, revoking or denying renewal of professional licensure for failure to pay child support. The Act will result in savings since additional support payments will result in reduced public assistance costs.
- Act 1993-64 enacts the Ben Franklin/IRC Partnership Act which establishes the Ben Franklin/IRC Partnership Fund for deposit of State appropriations and other funds for the Ben Franklin Technology Centers and the Industrial Resource Centers. Revenues in the fund must be annually appropriated by the General Assembly.
- Act 1993-74 amends the Industrial and Commercial Development Authority Law by renaming it the Economic Development Financing Law and making other changes including enabling certain applicants for PENNVEST financing to qualify for financing through the Pennsylvania Economic Development Finance Authority (PEDFA) and enabling the Department of Public Welfare to qualify for financing through PEDFA for conversion of the Medical Assistance program to a managed care program.
- Act 1993-77 amends the Second Class County Code to authorize the creation of the Allegheny Regional Asset District to finance and support cultural and recreational assets in Allegheny County and to provide for the imposition of an additional 1 percent sales tax to be collected by the Department of Revenue that will be returned to the District for acquisition of regional cultural and recreational assets.

- Act 1993-84 terminates the Pennsylvania Crime Commission on December 31, 1994 which will save the Commonwealth \$2.6 million annually in operating costs. Some of these savings will be offset by the transfer of Commission responsibilities to the Pennsylvania State Police.
- Act 1994-29 amends Titles 24 (Education) and 71 (State Government) to allow the boards of the State Employees' and Public School Employees' retirement systems to adopt the "prudent person" investment rule, to provide cost-of-living adjustments to retired annuitants of both systems, to eliminate the frozen present benefit amount limitation, to reauthorize "30 years of service and out," to extend the special window for retirement with additional credits retroactive to May 15, 1992 for school retirees and to grant \$55 per month towards health insurance for school retirees with 15 years of service.
- Act 1994-48 Tax Reform Code changes which will reduce taxes by (1) increasing the dependent allowance for the personal income tax low-income exemption; (2) reducing the corporate net income (CNI) tax rate over four years to 9.99 percent; (3) reinstating the net operating loss for the CNI tax; (4) increasing the neighborhood assistance tax credit by \$2 million; (5) increasing the minimum exclusion from the capital stock tax to \$75,000; (6) phasing in the spousal exemption for the inheritance tax; and (7) terminating transfer of CNI revenues to the Pennsylvania Industrial Development Authority. These tax reductions will save taxpayers \$166.4 million in 1994-95 and up to \$526 million in 1997-98.
- Act 1994-49 makes numerous Public Welfare Code changes including restructuring the General Assistance program, Medical Assistance reimbursement, proof of residence, school attendance, and job creation plans. When enacted, these changes were expected to reduce the costs of the cash and Medical Assistance programs by \$85.6 million in 1994-95. Subsequent settlement of litigation has reduced the net savings anticipated to \$58.9 million.
- Act 1994-52 enacts various amendments to the Administrative Code including requiring annual appropriations from the Banking Fund beginning in 1995-96 and permitting Keystone Park and Conservation Funds designated for the State System of Higher Education to be made available quarterly during the fiscal year beginning July 1, 1994.

The Commonwealth continued to make significant investments in programs to support the economically needy through General Assistance, Aid to Families With Dependent Children, and Medical Assistance. State and Federal expenditures for these programs amounted to \$7.2 billion in the 1993-94 fiscal year. Approximately 44 percent of the total cost of assistance to the economically needy is funded by the General Fund. The balance is provided by the State Lottery Fund, by the Federal Government, and through various program collection activities conducted by the Commonwealth. Additional funding was obtained through a Medical Assistance Intergovernmental Transfer program which provided contributions in 1993-94 totaling \$289 million. We focused attention on maintaining the financial integrity of the State Lottery Fund by completing the transfer of selected program costs back to the General Fund.

Overall, the general purpose financial statements show that our commitment to fiscal discipline has resulted in continued financial improvements and allowed us to lower taxes. Since the recession of 1991, our efforts to limit the size and cost of state government have allowed us to generate three consecutive budgetary surpluses, to cut both personal income and business taxes, and to continue to fund programs that provide equity in education, enhance economic development and provide critical human services.

Sincerely,



Steven H. Roskopf  
Secretary  
Office of the Budget

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

December 9, 1994

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

Dear Secretary Roskopf:

It is my privilege to present this Comprehensive Annual Financial Report (CAFR) on the operations of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 1994. This report, which includes the General Purpose Financial Statements (GPFS), was prepared by the Office of the Budget, Comptroller Operations, pursuant to the power vested in the Governor under Section 701 of the Administrative Code and delegated to the Secretary of the Budget by Executive Order No. 1984-3, October 11, 1984.

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

I believe the financial statements are fairly stated in all material respects; that they are presented in a manner designed to fairly set forth the Commonwealth's financial position, results of operations, and changes in the fund balances as measured by the financial activity of its various fund types; and that all disclosures necessary to enable the Governor, the Members of the General Assembly, the public, and the financial community to gain a full understanding of the Commonwealth's operations and financial affairs have been included. Responsibility for the completeness and fairness of the presentation, including all disclosures, rests with the Commonwealth of Pennsylvania, Office of the Budget.

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

**THE FINANCIAL REPORTING ENTITY**

For financial reporting purposes, the Commonwealth of Pennsylvania (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 which 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.

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:



Pennsylvania Higher Education 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 Turnpike Commission—Proprietary 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 effect budgetary control at the appropriation and allocation levels.

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

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

The accounts of the Commonwealth's governmental fund types are maintained on a budgetary basis by fund, agency and appropriation. Revenues are recorded at the time cash is received. Expenditures are recorded at the time payment requisitions and invoices are submitted to the Treasury Department for payment. At the fiscal year end, both revenues and expenditures are adjusted to reflect appropriate accruals for financial reporting in conformity with GAAP.

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

## **THE GENERAL PURPOSE FINANCIAL STATEMENTS (GPFS)**

Although the Commonwealth plans and manages its financial affairs on a budgetary basis, it also prepares GPFS in conformity with GAAP applicable to governments. These financial statements differ from those prepared on a budgetary basis in that generic funds are combined by fund types and the financial information is presented on the basis of accounting principles applicable to each fund type. Accordingly, governmental, expendable trust, and agency funds are reported on the modified accrual basis of accounting; proprietary and pension trust funds are reported on the accrual basis of accounting.

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, 1994 was \$5,100 million. Total debt service transfers paid from General Fund and Motor License Fund appropriations during the fiscal year ended June 30, 1994 amounted to \$755.1 million.

During the fiscal year ending June 30, 1995 the Office of the Budget projects general obligation bond issuances amounting to \$661 million, a decrease of \$545 million as compared to actual bond issuances of \$1,206 million during the fiscal year ended June 30, 1994. This forecast reflects the need to make investments in the Commonwealth's capital infrastructure, particularly prisons, interstate highway construction under the Federal Advance Construction Interstate Program, highway bridges, mass transportation and water supply systems. Debt principal retirements of \$517 million are forecast during fiscal 1995. 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>
1988	\$ 4,699
1989	4,705
1990	4,634
1991	4,788
1992	4,874
1993	5,041
1994	5,100

In addition to general obligation bonds, the Commonwealth issues tax anticipation notes to meet operating cash needs during certain months of the fiscal year. Tax anticipation notes may be issued only for the General Fund and the Motor License Fund. They may not exceed 20 percent of the funds' estimated revenues for the year, and must mature during the fiscal year in which they are issued. Cash shortages occur during the fiscal year because tax receipts, unlike cash disbursements, are concentrated in the fourth quarter of the fiscal year.

During the fiscal year ending June 30, 1995, total General Fund revenues and budgeted expenditures, including Federal funds, are expected to increase by 2.0 percent and 3.9 percent, respectively. As the result of tax changes and expenditure patterns that are likely to affect the cash receipts flow, the Commonwealth anticipates issuance of \$600 million in General Fund tax anticipation notes during the 1994-95 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>
1991	\$ 1,400	12 %
1992	1,450	10
1993	975	7
1994	400	3
1995 (Estimated)	600	4

#### CASH MANAGEMENT

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

In addition, the Treasury Department is empowered to invest monies of the Commonwealth that have accumulated beyond the ordinary needs of the various Commonwealth Funds. Investment pools managed by the Treasury Department include the following types of investments, average maturity and allocated percent at June 30, 1994 as depicted below.

<u>Investment Type</u>	<u>Average Maturity (days)</u>	<u>Percent</u>
Commercial Paper (Moody's Prime One Rating or Equivalent) .....	21	2.9
United States Treasury and Agency Obligations .....	880	28.0
Repurchase Agreements .....	32	55.3
Certificates of Deposit .....	184	5.4
Corporate Bonds and Notes .....	417	1.7
Other .....	514	6.7
		<u>100.0</u>

Temporary investments held by the Treasury Department amounted to \$4.7 billion, of the \$8.2 billion reported on the combined balance sheet, as of June 30, 1994. Interest on investments made by the Treasury Department during the fiscal year amounted to \$181 million at an average yield of 3.8 percent.

### RISK MANAGEMENT

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

### CAPITAL PROJECTS FUNDS

Proceeds of general obligation bonds are generally accounted for in the capital projects funds. Completed projects and construction in progress at the fiscal year end are accounted for as assets and are capitalized in the General Fixed Assets Account Group. Projects completed during the fiscal year totalled \$71.8 million; construction in progress at June 30, 1994 amounted to \$88.6 million. Authorized but unissued general obligation bonds at June 30, 1994 totalled \$15.4 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, 1994 of \$197.5 million, which represents an increase of \$113.6 million over the \$83.9 million retained earnings, as restated, reported the previous year.

Fiduciary type funds, including expendable trust funds and a pension trust fund, reported total fund balance of \$15,778 million, compared to \$14,121 million in the previous year. Total fund balances of the expendable trust funds increased \$410 million over the previous fiscal year, for total fund balances of \$2,078 million at June 30, 1994. The State Employees' Retirement System, the pension trust fund, reported a fund balance of \$13,701, an increase of \$1,248 million over the previous year. The fund balance is completely reserved for pension benefits.

#### 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, 1994, totaling \$1,654 million, which represents an increase of \$51 million from the \$1,603 million retained earnings, as restated, reported the previous year.

The Public School Employes' Retirement System, a fiduciary type fund component unit, pension trust fund, reported a fund balance of \$23,452 million at June 30, 1994, which represents a \$1,733 million increase over the \$21,719 million previous fiscal year fund balance.

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, 1994 was \$235 million, compared to \$202 million, as restated, at June 30, 1993.

### 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, 1994 amounted to \$3,694 million at actual or estimated historical cost. Depreciation is not recognized for the Commonwealth's general fixed assets. Infrastructure assets, consisting primarily of highways, roads and bridges, are not recorded in the General Fixed Assets Account Group. Both of these practices are in conformity with GAAP.

### INDEPENDENT AUDIT

The audit of the GPFS, evidenced by the Independent Auditors' Report submitted herewith, was performed jointly by the Department of the Auditor General and the independent public accounting firm of KPMG Peat Marwick 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, 1993. This represents the eighth consecutive year the Commonwealth of Pennsylvania has received this award.

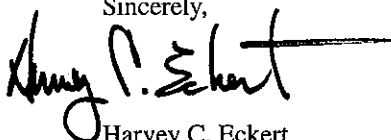
To merit a certificate of achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report which conforms to GFOA standards and satisfies both generally accepted accounting principles and applicable legal requirements. A certificate of achievement 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, 1994 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, 1993

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.

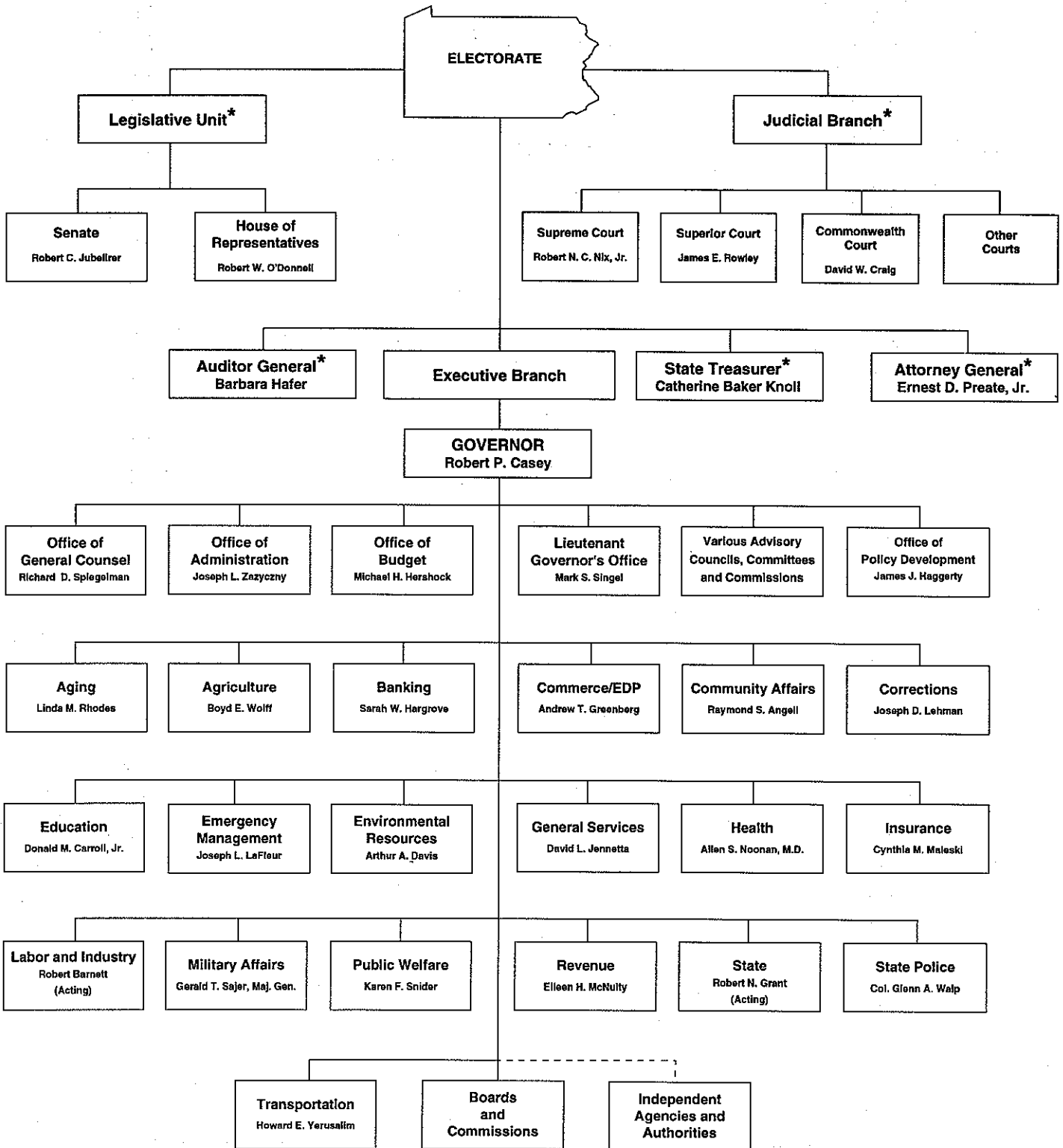


President



Executive Director

COMMONWEALTH OF PENNSYLVANIA  
**ORGANIZATION AND OFFICIALS CHART**  
 JUNE 30, 1994



\* Independently Elected

# Financial Section



Commonwealth of Pennsylvania



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

BARBARA HAFER  
AUDITOR GENERAL

**KPMG** Peat Marwick LLP

Certified Public Accountants

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

### Independent Auditors' Report

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

We have jointly audited the general purpose financial statements of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 1994, 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 82 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. The financial statements of these component units were audited by other auditors, including KPMG Peat Marwick 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. KPMG Peat Marwick LLP has audited separately 83 percent of total assets and 87 percent of total revenues of the discretely presented component units.

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

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, 1994, and the results of its operations and the cash flows of its Proprietary Funds for the fiscal year then ended, in conformity with generally accepted accounting principles.



As discussed in Note C to the general purpose financial statements, the Commonwealth of Pennsylvania adopted the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity," and Statement No. 16, "Accounting for Compensated Absences," effective July 1, 1993. In addition, the State System of Higher Education, a discretely presented component unit reported as College and University Funds, adopted the provisions of the Financial Accounting Standards Board's Statement No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions," effective July 1, 1993.

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

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

*Barbara Hyfer*

*KPMG Peat Marwick LLP*

November 18, 1994

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# General Purpose Financial Statements



Commonwealth of Pennsylvania

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

June 30, 1994

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

**ASSETS AND OTHER DEBITS**

**Assets:**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type		Account Groups		Total (Memorandum Obl.) Primary Government		Total (Memorandum Obl.) Reporting Entity	
	General	Special Revenue	Debt Service	Enterprise	Internal Service	Trust and Agency	General Fund Assets	General Long-Term Obligations	Component Units				
Cash—Note D	\$ 62,266	\$ 28,658	\$ 10	\$ 9,581	\$ 409	\$ 7,221	\$	\$	\$ 79,919	\$ 108,156	\$ 188,075	\$ 188,075	
Cash with fiscal agents—Note D			15,272			1,379,439				1,394,711	1,395,755	1,395,755	
Temporary investments—Note D	1,105,835	1,054,360	28,689	541,884	26,014	1,116,832			4,115,063	4,067,425	8,182,488	8,182,488	
Long-term investments—Note D		8,797		957,835		13,541,717			22,383,233	14,508,349	36,891,582	36,891,582	
Receivables, net:													
Taxes—Note G	762,522	139,094				433,433				1,335,049	1,335,049	1,335,049	
Accounts	27,861	17,323	15,982	51,391	24	90,036			38,095	202,617	240,712	240,712	
Accrued interest	10,075	3,621	700	16,386	89	88,731			257,736	119,851	377,587	377,587	
Notes and loans—Note G		82,440		223,351					4,448,506	305,791	4,754,297	4,754,297	
Lease rental—Note G			2,662						2,122,342	2,662	2,125,004	2,125,004	
Pension contributions									219,127		219,127	219,127	
Other	816	6,636			333	1,206			4,950	8,991	13,941	13,941	
Due from other funds—Note H	38,767	86,255	169	8,035	11,284	77,472			129,488	222,531	352,019	352,019	
Due from primary government—Note H									147,380	53,671	147,380	147,380	
Due from component units—Note H	2,139	2,608	37,739		959	10,226			28,440	1,214,028	1,242,468	1,242,468	
Due from other governments—Note F	1,057,664	131,497			253	24,614				69,475	69,475	69,475	
Advances to other funds	69,475								11,620	114,450	126,070	126,070	
Inventory				101,692	12,758				3,496,460	3,832,863	7,329,323	7,329,323	
Fixed assets—Note E				85,358	53,083	100			(1,291,924)	(86,610)	(1,378,534)	(1,378,534)	
Less: accumulated depreciation				(60,042)	(26,468)	(100)				38,949	443,592	443,592	
Other assets	2,150			1,172	3,628	31,999							

**Other Debits:**

Amounts available in Commonwealth

Funds for:

Retirement of general obligation bonds

Retirement of other bonds

Other general long-term obligations—

Note B

Amounts to be provided for the

retirement of:

General obligation bonds

Other bonds

Other general long-term obligations

**TOTAL ASSETS AND OTHER DEBITS**

	\$ 3,139,570	\$ 1,561,289	\$ 101,223	\$ 194,620	\$ 82,366	\$ 16,802,926	\$ 3,694,322	\$ 8,461,130	\$ 38,949	\$ 3,588,713	\$ 3,588,713	\$ 3,588,713	\$ 3,588,713
									64,217		64,217	64,217	64,217
													61,634
													2,405
													5,035,795
													2,152,711
													161
													3,358,874
													\$ 74,784,717

— See notes to financial statements. —

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

**June 30, 1994**

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

LIABILITIES, EQUITY AND OTHER CREDITS	Governmental Fund Types				Fiduciary Fund Type		Account Groups		Total (Monomonth Only) Primary Government	Component Units	Total (Monomonth Only) Reporting Entity
	Governmental Fund Types				Fiduciary Fund Type		Account Groups				
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fund Assets			
Liabilities:											
Accounts payable and accrued liabilities	\$ 1,286,868	\$ 559,058	\$ 34	\$ 81,591	\$ 87,908	\$ 12,531	\$ 325,439	\$	\$ 2,353,429	\$ 337,165	\$ 2,690,594
Investment purchases payable	327,283	807					2,535		330,625	1,100,845	1,100,845
Tax refunds payable	160,810	34,713	15,272	178	22,095	9,054	6,387		15,272	129,488	15,272
Matured debt principal and interest payable	144,075	5,395							235,421	50,084	364,909
Due to other funds—Note H	306,553	26,950			503	53	199,054		533,113	11,654	544,767
Due to primary government—Note H	19,610	20,179	18,644		82,087				140,520	2,185,640	2,326,160
Due to component units—Note H					713	3,970			4,683	489,588	494,271
Deferred revenue										310,000	310,000
Notes payable—Note J											
Demand revenue bonds payable—Note J											
Advances from other funds	1,431	2,175	907		68,000				70,175	994,201	994,201
Other liabilities					13,099		491,077		506,514	487,687	1,198,244
Insurance loss liability					1,198,244				1,198,244		1,198,244
General obligation bonds payable—Note K									5,100,012		5,100,012
Bonds payable—Note K										2,214,345	2,214,345
Revenue bonds payable—Note K										4,543,498	4,543,498
Capital lease and other general long-term obligations—Note K											
<b>TOTAL LIABILITIES</b>	<b>2,246,630</b>	<b>649,277</b>	<b>37,041</b>	<b>81,769</b>	<b>1,472,649</b>	<b>25,608</b>	<b>1,024,492</b>		<b>3,361,118</b>	<b>12,125,747</b>	<b>26,124,343</b>
Equity and Other Credits:											
Contributed capital—Note H										1,075,465	1,351,138
Investment in fixed assets					266,454	9,219			275,673	235,409	3,929,731
Retained earnings:									3,694,322		
Reserved—Note B					99,468				99,468	1,229,252	1,328,720
Unreserved					98,072	47,539			145,611	424,464	570,075
Fund balance:											
Reserved for:											
Encumbrances	290,004	229,760		276,720			17,825		814,309	23,108	837,417
Advances—Note B	69,475								69,475		69,475
Pension benefits							13,700,887		13,700,887	23,451,675	37,152,562
Loans receivable		82,440							82,440	26,451	108,891
Long-term investments		8,797					271,458		280,255	52,112	332,367
Endowment and similar funds										20,415	20,415
Restricted fund balance										49,635	49,635
Other—Note B	5,371	136							5,507	67,450	72,957
Unreserved:											
Designated for:											
Capital projects				4,837					4,837	129,431	134,268
Debt service:											
Retirement of general obligation bonds			64,217						64,217		64,217
Retirement of other bonds										61,634	61,634
Highways		111,572							111,572		111,572
Other—Note B	448,928	54,989					260		504,177		504,177
Undesignated (deficit)—Note C	79,162	424,318	(35)	(168,706)			1,788,004		2,122,743	(161,620)	1,961,123
<b>TOTAL EQUITY AND OTHER CREDITS</b>	<b>892,940</b>	<b>912,012</b>	<b>64,182</b>	<b>112,851</b>	<b>463,994</b>	<b>56,758</b>	<b>15,778,434</b>	<b>3,694,322</b>	<b>21,975,493</b>	<b>26,684,881</b>	<b>48,660,374</b>
<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b>	<b>\$ 3,139,570</b>	<b>\$ 1,561,289</b>	<b>\$ 101,223</b>	<b>\$ 194,620</b>	<b>\$ 1,936,643</b>	<b>\$ 82,366</b>	<b>\$ 16,802,926</b>	<b>\$ 3,694,322</b>	<b>\$ 35,974,089</b>	<b>\$ 38,810,628</b>	<b>\$ 74,784,717</b>

— 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, 1994*

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Primary Government	Component Units	Reporting Entity
<b>REVENUES:</b>								
Taxes .....	\$ 14,607,635	\$ 1,486,905	\$ .....	\$ .....	\$ 6,242	\$ 16,100,782	\$ .....	\$ 16,100,782
Unemployment taxes .....	.....	.....	.....	.....	1,890,038	1,890,038	.....	1,890,038
License and fees .....	147,566	593,157	.....	.....	63,976	804,699	.....	804,699
Intergovernmental .....	6,758,120	941,178	.....	4,818	643,505	8,347,621	.....	8,347,621
Charges for sales and services .....	670,710	170,426	.....	6,384	.....	847,520	1,013	848,533
Investment income .....	39,419	33,278	1,515	5,117	101,551	180,880	12,796	193,676
Lottery revenues .....	.....	1,574,949	.....	.....	.....	1,574,949	.....	1,574,949
Lease rental principal and interest .....	.....	.....	3,964	.....	.....	3,964	174,141	178,105
Other .....	80,262	72,203	15,095	31	11,239	178,830	9,463	188,293
<b>TOTAL REVENUES</b> .....	<b>22,303,712</b>	<b>4,872,096</b>	<b>20,574</b>	<b>16,350</b>	<b>2,716,551</b>	<b>29,929,283</b>	<b>197,413</b>	<b>30,126,696</b>
<b>EXPENDITURES:</b>								
Current:								
General government .....	1,019,679	1,130,300	.....	2,275	5,138	2,157,392	.....	2,157,392
Protection of persons and property .....	1,659,047	16,004	.....	97,588	35,373	1,808,012	.....	1,808,012
Public health and welfare .....	10,903,274	671,664	.....	.....	2,266,062	13,841,000	.....	13,841,000
Public education .....	6,784,190	.....	.....	.....	.....	6,784,190	2,399	6,786,589
Conservation of natural resources .....	309,792	214,010	.....	1,599	.....	525,401	.....	525,401
Economic development and assistance .....	254,955	8,898	.....	8,359	.....	272,212	.....	272,212
Transportation .....	282,127	2,312,744	.....	100,675	.....	2,695,546	.....	2,695,546
Capital outlay .....	18,595	27,796	.....	163,692	.....	210,083	214,739	424,822
Debt Service:								
Principal retirement .....	.....	.....	482,344	.....	.....	482,344	82,738	565,082
Interest and fiscal charges .....	8,975	15	282,741	.....	.....	291,731	127,592	419,323
<b>TOTAL EXPENDITURES</b> .....	<b>21,240,634</b>	<b>4,381,431</b>	<b>765,085</b>	<b>374,188</b>	<b>2,306,573</b>	<b>29,067,911</b>	<b>427,468</b>	<b>29,495,379</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>1,063,078</b>	<b>490,665</b>	<b>(744,511)</b>	<b>(357,838)</b>	<b>409,978</b>	<b>861,372</b>	<b>(230,055)</b>	<b>631,317</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Bond proceeds .....	.....	52,046	.....	350,829	.....	402,875	224,194	627,069
Refunding bond proceeds .....	.....	.....	674,819	.....	.....	674,819	158,896	833,715
Operating transfers in—Note H .....	320,242	359,416	756,113	.....	5	1,435,776	483,874	1,919,650
Operating transfers out—Note H .....	(597,583)	(733,595)	(894)	(55,476)	(123)	(1,387,671)	(483,874)	(1,871,545)
Operating transfers to component units— Note H .....	(619,042)	.....	.....	.....	.....	(619,042)	.....	(619,042)
Payment to refunded bond escrow agent .....	.....	.....	(674,819)	.....	.....	(674,819)	(151,402)	(826,221)
Capital lease and installment purchase obligations .....	12,660	9,428	.....	.....	.....	22,088	.....	22,088
<b>NET OTHER FINANCING SOURCES (USES)</b> .....	<b>(883,723)</b>	<b>(312,705)</b>	<b>755,219</b>	<b>295,353</b>	<b>(118)</b>	<b>(145,974)</b>	<b>231,688</b>	<b>85,714</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b> .....	<b>179,355</b>	<b>177,960</b>	<b>10,708</b>	<b>(62,485)</b>	<b>409,860</b>	<b>715,398</b>	<b>1,633</b>	<b>717,031</b>
<b>FUND BALANCES, AS RESTATED, JULY 1, 1993</b> .....	<b>698,945</b>	<b>764,996</b>	<b>53,474</b>	<b>175,336</b>	<b>1,667,687</b>	<b>3,360,438</b>	<b>267,234</b>	<b>3,627,672</b>
<b>RESIDUAL EQUITY TRANSFERS—NOTE H</b> .....	<b>14,640</b>	<b>(30,944)</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>(16,304)</b>	<b>.....</b>	<b>(16,304)</b>
<b>FUND BALANCES JUNE 30, 1994</b> .....	<b>\$ 892,940</b>	<b>\$ 912,012</b>	<b>\$ 64,182</b>	<b>\$ 112,851</b>	<b>\$ 2,077,547</b>	<b>\$ 4,059,532</b>	<b>\$ 268,867</b>	<b>\$ 4,328,399</b>

— 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, 1994*

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	General Fund			Budgeted Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>						
State Programs:						
Taxes, net of refunds .....	\$14,719,300	\$14,728,241	\$ 8,941	\$ 953,849	\$ 970,467	\$ 16,618
Lottery receipts .....	.....	.....	.....	790,546	848,265	57,719
Liquor store profits transfer .....	40,000	47,000	7,000	.....	.....	.....
Licenses and fees .....	59,700	65,684	5,984	467,400	476,426	9,026
Fines, penalties and interest .....	23,900	24,845	945	.....	.....	.....
Departmental services .....	864,791	864,791	.....	50,753	50,753	.....
Miscellaneous .....	114,600	130,372	15,772	77,663	76,387	(1,276)
<b>TOTAL STATE PROGRAMS .....</b>	<b>15,822,291</b>	<b>15,860,933</b>	<b>38,642</b>	<b>2,340,211</b>	<b>2,422,298</b>	<b>82,087</b>
Federal Programs .....	7,484,127	6,985,379	(498,748)	718,497	709,747	(8,750)
<b>TOTAL REVENUES .....</b>	<b>23,306,418</b>	<b>22,846,312</b>	<b>(460,106)</b>	<b>3,058,708</b>	<b>3,132,045</b>	<b>73,337</b>
<b>EXPENDITURES:</b>						
State Programs:						
General government .....	1,360,107	1,280,651	79,456	552,258	539,649	12,609
Protection of persons and property .....	1,453,621	1,431,542	22,079	222,104	215,542	6,562
Public health and welfare .....	5,619,967	5,599,903	20,064	600,048	591,783	8,265
Public education .....	6,706,208	6,695,506	10,702	1,804	1,476	328
Conservation of natural resources .....	253,414	252,428	986	.....	.....	.....
Economic development and assistance .....	262,135	260,391	1,744	.....	.....	.....
Transportation .....	278,837	278,757	80	1,088,993	1,078,454	10,539
<b>TOTAL STATE PROGRAMS .....</b>	<b>15,934,289</b>	<b>15,799,178</b>	<b>135,111</b>	<b>2,465,207</b>	<b>2,426,904</b>	<b>38,303</b>
Federal Programs .....	7,484,127	6,985,379	498,748	718,497	709,747	8,750
<b>TOTAL EXPENDITURES .....</b>	<b>23,418,416</b>	<b>22,784,557</b>	<b>633,859</b>	<b>3,183,704</b>	<b>3,136,651</b>	<b>47,053</b>
<b>REVENUES OVER (UNDER) EXPENDITURES .....</b>	<b>(111,998)</b>	<b>61,755</b>	<b>173,753</b>	<b>(124,996)</b>	<b>(4,606)</b>	<b>120,390</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Prior year lapses .....	59,080	59,080	.....	32,386	32,386	.....
Transfer to tax stabilization reserve fund .....	.....	(33,575)	(33,575)	.....	.....	.....
Increase in budgeted revenues .....	38,642	.....	(38,642)	28,433	.....	(28,433)
<b>NET OTHER FINANCING SOURCES .....</b>	<b>97,722</b>	<b>25,505</b>	<b>(72,217)</b>	<b>60,819</b>	<b>32,386</b>	<b>(28,433)</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES — NOTE M .....</b>	<b>(14,276)</b>	<b>87,260</b>	<b>101,536</b>	<b>(64,177)</b>	<b>27,780</b>	<b>91,957</b>
<b>UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), AS RESTATED, JULY 1, 1993 .....</b>	<b>214,915</b>	<b>214,915</b>	<b>.....</b>	<b>188,305</b>	<b>188,305</b>	<b>.....</b>
<b>UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 1994 .....</b>	<b>\$ 200,639</b>	<b>\$ 302,175</b>	<b>\$ 101,536</b>	<b>\$ 124,128</b>	<b>\$ 216,085</b>	<b>\$ 91,957</b>

— See notes to financial statements. —

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS/FUND BALANCE**

**All Proprietary Fund Types, Pension Trust Fund and  
Discretely Presented Component Units**

*For the Fiscal Year Ended June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**  
(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only) Primary Government	Component Units	Total (Memorandum Only) Reporting Entity
	Enterprise	Internal Service	Pension Trust— Note I			
<b>OPERATING REVENUES:</b>						
Sales and services .....	\$ 1,133,922	\$ 100,569	\$ .....	\$ 1,234,491	\$ 568,020	\$ 1,802,511
Investment income .....	96,275	.....	1,534,370	1,630,645	1,969,314	3,599,959
Interest on notes and loans .....	5,709	.....	.....	5,709	176,092	181,801
Pension contributions .....	.....	.....	486,631	486,631	1,331,002	1,817,633
Other .....	6,334	17	.....	6,351	22,064	28,415
<b>TOTAL OPERATING REVENUES .....</b>	<b>1,242,240</b>	<b>100,586</b>	<b>2,021,001</b>	<b>3,363,827</b>	<b>4,066,492</b>	<b>7,430,319</b>
<b>OPERATING EXPENSES:</b>						
Cost of sales and services .....	1,060,722	86,858	12,527	1,160,107	696,218	1,856,325
Interest expense .....	578	.....	.....	578	265,372	265,950
Depreciation .....	6,909	5,497	.....	12,406	144,366	156,772
Bad debts .....	15,413	.....	.....	15,413	22,847	38,260
Benefit payments and refunds .....	.....	.....	765,829	765,829	1,382,157	2,147,986
Other .....	23	.....	.....	23	117	140
<b>TOTAL OPERATING EXPENSES .....</b>	<b>1,083,645</b>	<b>92,355</b>	<b>778,356</b>	<b>1,954,356</b>	<b>2,511,077</b>	<b>4,465,433</b>
<b>OPERATING INCOME .....</b>	<b>158,595</b>	<b>8,231</b>	<b>1,242,645</b>	<b>1,409,471</b>	<b>1,555,415</b>	<b>2,964,886</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Investment income .....	3,019	723	.....	3,742	15,877	19,619
Interest expense .....	( 55 )	( 899 )	.....	( 954 )	( 45,399 )	( 46,353 )
Oil Company Franchise Tax .....	.....	.....	.....	.....	38,231	38,231
Other .....	225	( 257 )	.....	( 32 )	4,331	4,299
<b>NONOPERATING REVENUES (EXPENSES), NET .....</b>	<b>3,189</b>	<b>( 433 )</b>	<b>.....</b>	<b>2,756</b>	<b>13,040</b>	<b>15,796</b>
<b>INCOME BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEMS</b>	<b>161,784</b>	<b>7,798</b>	<b>1,242,645</b>	<b>1,412,227</b>	<b>1,568,455</b>	<b>2,980,682</b>
<b>OPERATING TRANSFERS:</b>						
Operating transfers out—Note H .....	( 48,105 )	.....	.....	( 48,105 )	.....	( 48,105 )
Operating transfers from primary government—Note H .....	.....	.....	.....	.....	256,374	256,374
Operating transfers from component units—Note H .....	.....	.....	7,851	7,851	.....	7,851
Operating transfers to primary government—Note H .....	.....	.....	.....	.....	( 6,089 )	( 6,089 )
Operating transfers to component units—Note H .....	.....	.....	( 2,968 )	( 2,968 )	.....	( 2,968 )
<b>OPERATING TRANSFERS, NET .....</b>	<b>( 48,105 )</b>	<b>.....</b>	<b>4,883</b>	<b>( 43,222 )</b>	<b>250,285</b>	<b>207,063</b>
<b>INCOME BEFORE EXTRAORDINARY ITEMS .....</b>	<b>113,679</b>	<b>7,798</b>	<b>1,247,528</b>	<b>1,369,005</b>	<b>1,818,740</b>	<b>3,187,745</b>
Extraordinary loss on early extinguishment of debt —Note L .....	.....	.....	.....	.....	( 35,862 )	( 35,862 )
<b>NET INCOME .....</b>	<b>113,679</b>	<b>7,798</b>	<b>1,247,528</b>	<b>1,369,005</b>	<b>1,782,878</b>	<b>3,151,883</b>
<b>RETAINED EARNINGS/FUND BALANCES, AS RESTATED</b>						
July 1, 1993 .....	83,861	39,741	12,453,359	12,576,961	23,322,513	35,899,474
<b>RETAINED EARNINGS/FUND BALANCES, June 30, 1994 .....</b>	<b>\$ 197,540</b>	<b>\$ 47,539</b>	<b>\$ 13,700,887</b>	<b>\$ 13,945,966</b>	<b>\$25,105,391</b>	<b>\$ 39,051,357</b>

— 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, 1994*

**COMMONWEALTH OF PENNSYLVANIA**  
**(Expressed in Thousands)**

	Proprietary Funds		Total (Memorandum Only) Primary Government	Component Units	Total (Memorandum Only) Reporting Entity
	Enterprise	Internal Service			
<b>CASH USED FOR OPERATIONS:</b>					
Operating income (loss) .....	\$ 158,595	\$ 8,231	\$ 166,826	\$ (181,038)	\$ (14,212)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation .....	6,909	5,497	12,406	142,964	155,370
Net amortization .....	....	....	....	170	170
Provision for uncollectible accounts .....	15,413	....	15,413	22,847	38,260
Nonoperating revenues .....	....	....	....	42,562	42,562
Changes in assets and liabilities:					
Increase in receivables .....	(57,659)	(38)	(57,697)	(201,282)	(258,979)
(Increase) decrease in due from other funds .....	(3,909)	2,475	(1,434)	....	(1,434)
Increase in due from primary government .....	....	....	....	(3,041)	(3,041)
Increase in due from component units .....	....	(959)	(959)	....	(959)
(Increase) decrease in due from other governments .....	16	124	140	6,721	6,861
(Increase) decrease in inventory .....	(4,151)	(1,127)	(5,278)	1,571	(3,707)
(Increase) decrease in other current assets .....	377	1,334	1,711	(5,643)	(3,932)
Increase (decrease) in accounts payable and accrued liabilities .....	2,631	1,902	4,533	(10,142)	(5,609)
Increase (decrease) in due to other funds .....	(642)	6,087	5,445	(39,769)	(34,324)
Increase in due to primary government .....	....	....	....	37,962	37,962
Increase in due to other governments .....	110	7	117	1,960	2,077
Increase in deferred revenue .....	30,296	....	30,296	2,121	32,417
Increase in insurance loss liability .....	81,928	....	81,928	....	81,928
Increase in other current liability .....	4,174	....	4,174	6,240	10,414
<b>TOTAL ADJUSTMENTS .....</b>	<b>75,493</b>	<b>15,302</b>	<b>90,795</b>	<b>5,241</b>	<b>96,036</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>234,088</b>	<b>23,533</b>	<b>257,621</b>	<b>(175,797)</b>	<b>81,824</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Proceeds from issuance of notes payable and revenue bonds .....	....	....	....	960,045	960,045
Principal paid on notes payable and revenue bonds .....	(712)	(1,161)	(1,873)	(1,010,546)	(1,012,419)
Interest paid on notes payable and revenue bonds .....	(55)	(320)	(375)	....	(375)
Operating transfers from primary government .....	....	....	....	254,128	254,128
Operating transfers out .....	(48,105)	....	(48,105)	....	(48,105)
Increase in contributed capital .....	20,765	....	20,765	70,000	90,765
Decrease in contributed capital .....	(7)	....	(7)	(93,390)	(93,397)
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>(28,114)</b>	<b>(1,481)</b>	<b>(29,595)</b>	<b>180,237</b>	<b>150,642</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACCOUNTS:</b>					
Proceeds from issuance of revenue bonds .....	....	....	....	160,776	160,776
Principal paid on revenue bonds .....	....	....	....	(7,655)	(7,655)
Interest paid on revenue bonds .....	....	(579)	(579)	(45,399)	(45,978)
Increase in contributed capital .....	751	....	751	143,367	144,118
Decrease in contributed capital .....	....	....	....	(3,260)	(3,260)
Acquisition and construction of capital assets .....	(3,442)	(9,111)	(12,553)	(237,789)	(250,342)
Proceeds from sale of capital assets .....	....	1,044	1,044	....	1,044
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(2,691)</b>	<b>(8,646)</b>	<b>(11,337)</b>	<b>10,040</b>	<b>(1,297)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchase of investments .....	(3,922,906)	(67,163)	(3,990,069)	(10,319,237)	(14,309,306)
Proceeds from sale of maturities of investments .....	3,715,512	53,059	3,768,571	10,322,571	14,091,142
Investment income .....	2,964	723	3,687	15,877	19,564
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES .....</b>	<b>(204,430)</b>	<b>(13,381)</b>	<b>(217,811)</b>	<b>19,211</b>	<b>(198,600)</b>
<b>NET INCREASE (DECREASE) IN CASH .....</b>	<b>(1,147)</b>	<b>25</b>	<b>(1,122)</b>	<b>33,691</b>	<b>32,569</b>
<b>CASH, JULY 1, 1993 .....</b>	<b>10,728</b>	<b>384</b>	<b>11,112</b>	<b>31,275</b>	<b>42,387</b>
<b>CASH, JUNE 30, 1994 .....</b>	<b>\$ 9,581</b>	<b>\$ 409</b>	<b>\$ 9,990</b>	<b>\$ 64,966</b>	<b>\$ 74,956</b>

During the fiscal year ended June 30, 1994 the Pennsylvania Higher Education Assistance Agency, a discretely presented component unit, entered into a capital lease for a building, in the amount of \$56,837.

— See notes to financial statements. —

**COMBINING BALANCE SHEET**  
**Discretely Presented Component Units**

*For the Fiscal Year Ended June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**  
(Expressed in Thousands)

	Governmental Funds	Proprietary Funds	Fiduciary Fund— Note I	College and University Funds	Total (Memorandum Only) Component Units
<b>ASSETS AND OTHER DEBITS</b>					
Assets:					
Cash—Note D .....	\$ 10,538	\$ 63,922	\$ 66	\$ 5,393	\$ 79,919
Cash with fiscal agents—Note D .....	....	1,044	....	....	1,044
Temporary investments—Note D .....	275,096	1,806,184	1,741,951	291,832	4,115,063
Long-term investments—Note D .....	52,112	251,871	22,008,164	71,086	22,383,233
Receivable, net:					
Accounts .....	2	18,194	....	19,899	38,095
Accrued interest .....	1,268	73,524	182,858	86	257,736
Loans—Note G .....	1,183	4,422,537	....	24,786	4,448,506
Lease rental—Note G .....	2,109,055	13,287	....	....	2,122,342
Pension contributions .....	....	....	219,127	....	219,127
Other .....	....	....	....	4,950	4,950
Due from other funds—Note H .....	....	....	....	129,488	129,488
Due from primary government—Note H .....	....	4,287	143,093	....	147,380
Due from other governments—Note F .....	....	28,440	....	....	28,440
Inventory .....	....	6,779	....	4,841	11,620
Fixed assets—Note E .....	....	2,876,069	11,792	608,599	3,496,460
Less: accumulated depreciation .....	....	(1,114,774)	(5,162)	(171,988)	(1,291,924)
Other assets .....	....	70,008	310,926	23,709	404,643
Other Debits:					
Amounts available for retirement of other bonds .....	61,634	....	....	....	61,634
Amounts to be provided for the retirement of:					
Other bonds .....	2,152,711	....	....	....	2,152,711
Other general long-term obligations .....	161	....	....	....	161
<b>TOTAL ASSETS AND OTHER DEBITS</b> .....	<b>\$ 4,663,760</b>	<b>\$ 8,521,372</b>	<b>\$ 24,612,815</b>	<b>\$ 1,012,681</b>	<b>\$ 38,810,628</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>					
Liabilities:					
Accounts payable and accrued liabilities .....	\$ 4,214	\$ 184,815	\$ 59,686	\$ 88,450	\$ 337,165
Investment purchases payable .....	....	....	1,100,845	....	1,100,845
Due to other funds—Note H .....	....	....	....	129,488	129,488
Due to primary government—Note H .....	1	41,428	609	8,046	50,084
Due to other governments .....	....	11,654	....	....	11,654
Deferred revenue .....	2,109,055	46,721	....	29,864	2,185,640
Notes payable—Note J .....	66,977	422,555	....	56	489,588
Demand revenue bonds payable—Note J .....	....	310,000	....	....	310,000
Other liabilities .....	140	174,683	....	312,864	487,687
Bonds payable—Note K .....	2,214,345	....	....	....	2,214,345
Revenue bonds payable—Note K .....	....	4,543,498	....	....	4,543,498
Capital lease and other general long-term obligations—Note K .....	161	56,837	....	208,755	265,753
<b>TOTAL LIABILITIES</b> .....	<b>4,394,893</b>	<b>5,792,191</b>	<b>1,161,140</b>	<b>777,523</b>	<b>12,125,747</b>
Equity and Other Credits:					
Contributed capital—Note H .....	....	1,075,465	....	....	1,075,465
Investment in fixed assets .....	....	....	....	235,409	235,409
Retained earnings:					
Reserved—Note B .....	....	1,229,252	....	....	1,229,252
Unreserved .....	....	424,464	....	....	424,464
Fund balance:					
Reserved for:					
Encumbrances .....	....	....	....	23,108	23,108
Pension benefits .....	....	....	23,451,675	....	23,451,675
Loans receivable .....	....	....	....	26,451	26,451
Long-term investments .....	52,112	....	....	....	52,112
Endowment and similar funds .....	....	....	....	20,415	20,415
Restricted fund balance .....	3,647	....	....	45,988	49,635
Other—Note B .....	....	....	....	67,450	67,450
Unreserved:					
Designated for:					
Capital projects .....	129,431	....	....	....	129,431
Debt Service:					
Retirement of other bonds .....	61,634	....	....	....	61,634
Undesignated (deficit)—Note C .....	22,043	....	....	(183,663)	(161,620)
<b>TOTAL EQUITY AND OTHER CREDITS</b> .....	<b>268,867</b>	<b>2,729,181</b>	<b>23,451,675</b>	<b>235,158</b>	<b>26,684,881</b>
<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b> .....	<b>\$ 4,663,760</b>	<b>\$ 8,521,372</b>	<b>\$ 24,612,815</b>	<b>\$ 1,012,681</b>	<b>\$ 38,810,628</b>

— See notes to financial statements. —

**COMBINING BALANCE SHEET**  
**Governmental Funds — Discretely Presented Component Units**

*June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**  
 (Expressed in Thousands)

	Pennsylvania Higher Educational Facilities Authority	State Public School Building Authority	Total
<b>ASSETS AND OTHER DEBITS</b>			
Assets:			
Cash—Note D .....	\$ 8,866	\$ 1,672	\$ 10,538
Temporary investments—Note D .....	149,508	125,588	275,096
Long-term investments—Note D .....	43,964	8,148	52,112
Receivables, net:			
Accounts .....	.....	2	2
Accrued interest .....	702	566	1,268
Loans—Note G .....	.....	1,183	1,183
Lease rental—Note G .....	1,833,434	275,621	2,109,055
Other Debits:			
Amounts available for retirement of other bonds .....	56,362	5,272	61,634
Amounts to be provided for the retirement of:			
Other bonds .....	1,877,090	275,621	2,152,711
Other general long-term obligations .....	.....	161	161
<b>TOTAL ASSETS AND OTHER DEBITS .....</b>	<b><u>\$ 3,969,926</u></b>	<b><u>\$ 693,834</u></b>	<b><u>\$ 4,663,760</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities .....	\$ 1,289	\$ 2,925	\$ 4,214
Due to primary government—Note H .....	.....	1	1
Deferred revenue .....	1,833,434	275,621	2,109,055
Notes payable—Note J .....	.....	66,977	66,977
Other liabilities .....	.....	140	140
Bonds payable—Note K .....	1,933,452	280,893	2,214,345
Capital lease and other general long-term obligation— Note K .....	.....	161	161
<b>TOTAL LIABILITIES .....</b>	<b><u>3,768,175</u></b>	<b><u>626,718</u></b>	<b><u>4,394,893</u></b>
<b>Fund Balance:</b>			
Reserved for:			
Long-term investments .....	43,964	8,148	52,112
Restricted fund balance .....	.....	3,647	3,647
Unreserved:			
Designated for:			
Capital projects .....	86,502	42,929	129,431
Debt Service:			
Retirement of other bonds .....	56,362	5,272	61,634
Undesignated .....	14,923	7,120	22,043
<b>TOTAL FUND BALANCES .....</b>	<b><u>201,751</u></b>	<b><u>67,116</u></b>	<b><u>268,867</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b><u>\$ 3,969,926</u></b>	<b><u>\$ 693,834</u></b>	<b><u>\$ 4,663,760</u></b>

— 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, 1994*

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	Pennsylvania Higher Educational Facilities Authority	State Public School Building Authority	Total
<b>REVENUES:</b>			
Charges for sales and services .....	\$ . . . .	\$ 1,013	\$ 1,013
Investment income .....	7,563	5,233	12,796
Lease rental principal and interest .....	136,840	37,301	174,141
Other .....	7,741	1,722	9,463
<b>TOTAL REVENUES .....</b>	<u>152,144</u>	<u>45,269</u>	<u>197,413</u>
<b>EXPENDITURES:</b>			
Public education .....	1,162	1,237	2,399
Capital outlay .....	198,911	15,828	214,739
Debt service:			
Principal retirement .....	56,909	25,829	82,738
Interest and fiscal charges .....	100,456	27,136	127,592
<b>TOTAL EXPENDITURES .....</b>	<u>357,438</u>	<u>70,030</u>	<u>427,468</u>
<b>REVENUES UNDER EXPENDITURES .....</b>	<u>(205,294)</u>	<u>(24,761)</u>	<u>(230,055)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bond proceeds .....	188,985	35,209	224,194
Refunding bond proceeds .....	157,435	1,461	158,896
Operating transfers in—Note H .....	398,343	85,531	483,874
Operating transfers out—Note H .....	(398,343)	(85,531)	(483,874)
Payment to refunded bond escrow agent .....	(149,941)	(1,461)	(151,402)
<b>NET OTHER FINANCING SOURCES .....</b>	<u>196,479</u>	<u>35,209</u>	<u>231,688</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES...</b>	<u>(8,815)</u>	<u>10,448</u>	<u>1,633</u>
<b>FUND BALANCES, JULY 1, 1993 .....</b>	<u>210,566</u>	<u>56,668</u>	<u>267,234</u>
<b>FUND BALANCES, JUNE 30, 1994 .....</b>	<u>\$ 201,751</u>	<u>\$ 67,116</u>	<u>\$ 268,867</u>

— See notes to financial statements. —

# COMBINING BALANCE SHEET

## Proprietary Funds — Discretely Presented Component Units

For the Fiscal Year Ended June 30, 1994

### COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Pennsylvania Turnpike Commission (May 31, 1994)	Pennsylvania Industrial Development Authority	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	Total
<b>ASSETS</b>						
Cash—Note D .....	\$ 34,197	\$ .....	\$ 3,289	\$ 23,450	\$ 2,986	\$ 63,922
Cash with fiscal agents—Note D .....	.....	1,044	.....	.....	.....	1,044
Temporary investments—Note D .....	663,079	132,887	482,123	387,676	140,419	1,806,184
Long-term investments—Note D .....	29,669	115,294	85,210	21,698	.....	251,871
Receivables, net:						
Accounts .....	10,250	.....	.....	7,944	.....	18,194
Accrued interest .....	3,243	3,215	.....	65,589	1,477	73,524
Loans—Note G .....	.....	430,787	1,900,185	1,318,389	773,176	4,422,537
Lease rental—Note G .....	.....	13,287	.....	.....	.....	13,287
Due from primary government—Note H .....	3,305	.....	.....	982	.....	4,287
Due from other governments—Note F .....	.....	.....	.....	28,440	.....	28,440
Inventory .....	6,779	.....	.....	.....	.....	6,779
Fixed assets—Note E .....	2,740,293	.....	5,433	130,186	157	2,876,069
Less: accumulated depreciation .....	( 1,093,475 )	.....	( 2,610 )	( 18,562 )	( 127 )	( 1,114,774 )
Other assets .....	20,411	12,036	12,420	17,308	7,833	70,008
<b>TOTAL ASSETS</b> .....	<b>\$ 2,417,751</b>	<b>\$ 708,550</b>	<b>\$ 2,486,050</b>	<b>\$ 1,983,100</b>	<b>\$ 925,921</b>	<b>\$ 8,521,372</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities .....	\$ 94,453	\$ 165	\$ 43,853	\$ 42,978	\$ 3,366	\$ 184,815
Due to primary government—Note H .....	2,649	73	29	858	37,819	41,428
Due to other governments .....	.....	.....	.....	11,650	4	11,654
Deferred revenue .....	.....	.....	.....	46,638	83	46,721
Notes payable—Note J .....	.....	.....	23,000	399,555	.....	422,555
Demand revenue bonds payable—Note J .....	.....	.....	.....	310,000	.....	310,000
Other liabilities .....	6,239	4,256	160,285	3,903	.....	174,683
Revenue bonds payable—Note K .....	1,218,152	357,328	1,927,848	848,785	191,385	4,543,498
Capital lease obligation—Note K .....	.....	.....	.....	56,837	.....	56,837
<b>TOTAL LIABILITIES</b> .....	<b>1,321,493</b>	<b>361,822</b>	<b>2,155,015</b>	<b>1,721,204</b>	<b>232,657</b>	<b>5,792,191</b>
<b>Equity:</b>						
Contributed capital—Note H .....	164,527	226,350	1,960	.....	682,628	1,075,465
Retained earnings:						
Reserved—Note B .....	931,731	.....	98,862	198,659	.....	1,229,252
Unreserved .....	.....	120,378	230,213	63,237	10,636	424,464
<b>TOTAL EQUITY</b> .....	<b>1,096,258</b>	<b>346,728</b>	<b>331,035</b>	<b>261,896</b>	<b>693,264</b>	<b>2,729,181</b>
<b>TOTAL LIABILITIES AND EQUITY</b> .....	<b>\$ 2,417,751</b>	<b>\$ 708,550</b>	<b>\$ 2,486,050</b>	<b>\$ 1,983,100</b>	<b>\$ 925,921</b>	<b>\$ 8,521,372</b>

— See notes to financial statements. —

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS / FUND BALANCE**  
**Proprietary Funds and Pension Trust Fund —**  
**Discretely Presented Component Units**

*For the Fiscal Year Ended June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**  
(Expressed in Thousands)

	Proprietary Fund Type						Total
	Pennsylvania Turnpike Commission (May 31, 1994)	Pennsylvania Industrial Development Authority	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	Public School Employees' Retirement System	
<b>OPERATING REVENUES:</b>							
Sales and services .....	\$ 280,896	\$ .....	\$ 9,736	\$ 276,620	\$ 768	\$ .....	\$ 568,020
Investment income .....	.....	11,073	27,813	116,115	3,394	1,810,919	1,969,314
Interest on notes and loans .....	.....	17,512	146,942	.....	11,638	.....	176,092
Pension contributions .....	.....	.....	.....	.....	.....	1,331,002	1,331,002
Other .....	9,613	1,217	9,534	1,506	194	.....	22,064
<b>TOTAL OPERATING REVENUES .....</b>	<b>290,509</b>	<b>29,802</b>	<b>194,025</b>	<b>394,241</b>	<b>15,994</b>	<b>3,141,921</b>	<b>4,066,492</b>
<b>OPERATING EXPENSES:</b>							
Cost of sales and services .....	142,915	2,138	13,325	514,038	1,893	21,909	696,218
Interest expense .....	.....	19,116	144,437	92,280	9,539	.....	265,372
Depreciation .....	134,851	.....	309	7,773	31	1,402	144,366
Bad debts .....	.....	1,825	18,208	.....	2,814	.....	22,847
Benefit payments and refunds .....	.....	.....	.....	.....	.....	1,382,157	1,382,157
Other .....	.....	.....	117	.....	.....	.....	117
<b>TOTAL OPERATING EXPENSES .....</b>	<b>277,766</b>	<b>23,079</b>	<b>176,396</b>	<b>614,091</b>	<b>14,277</b>	<b>1,405,468</b>	<b>2,511,077</b>
<b>OPERATING INCOME (LOSS) .....</b>	<b>12,743</b>	<b>6,723</b>	<b>17,629</b>	<b>(219,850)</b>	<b>1,717</b>	<b>1,736,453</b>	<b>1,555,415</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>							
Investment income .....	15,877	.....	.....	.....	.....	.....	15,877
Interest expense .....	(45,399)	.....	.....	.....	.....	.....	(45,399)
Oil company franchise tax .....	38,231	.....	.....	.....	.....	.....	38,231
Other .....	.....	.....	.....	4,331	.....	.....	4,331
<b>NONOPERATING REVENUES, NET .....</b>	<b>8,709</b>	<b>.....</b>	<b>.....</b>	<b>4,331</b>	<b>.....</b>	<b>.....</b>	<b>13,040</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEMS .....</b>	<b>21,452</b>	<b>6,723</b>	<b>17,629</b>	<b>(215,519)</b>	<b>1,717</b>	<b>1,736,453</b>	<b>1,568,455</b>
<b>OPERATING TRANSFERS:</b>							
Operating transfers from primary government—Note H .....	.....	.....	19,500	234,628	.....	2,246	256,374
Operating transfers to primary government—Note H ... ..	.....	.....	.....	.....	.....	(6,089)	(6,089)
<b>OPERATING TRANSFERS, NET .....</b>	<b>.....</b>	<b>.....</b>	<b>19,500</b>	<b>234,628</b>	<b>.....</b>	<b>(3,843)</b>	<b>250,285</b>
<b>INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS .....</b>	<b>21,452</b>	<b>6,723</b>	<b>37,129</b>	<b>19,109</b>	<b>1,717</b>	<b>1,732,610</b>	<b>1,818,740</b>
Extraordinary loss on early extinguishment of debt—Note L .....	.....	(12,728)	(23,134)	.....	.....	.....	(35,862)
<b>NET INCOME (LOSS) .....</b>	<b>21,452</b>	<b>(6,005)</b>	<b>13,995</b>	<b>19,109</b>	<b>1,717</b>	<b>1,732,610</b>	<b>1,782,878</b>
<b>RETAINED EARNINGS / FUND BALANCE, AS RESTATED, JULY 1, 1993 .....</b>	<b>910,279</b>	<b>126,383</b>	<b>315,080</b>	<b>242,787</b>	<b>8,919</b>	<b>21,719,065</b>	<b>23,322,513</b>
<b>RETAINED EARNINGS / FUND BALANCE, JUNE 30, 1994 .....</b>	<b>\$ 931,731</b>	<b>\$ 120,378</b>	<b>\$ 329,075</b>	<b>\$ 261,896</b>	<b>\$ 10,636</b>	<b>\$23,451,675</b>	<b>\$25,105,391</b>

— See notes to financial statements. —

# COMBINING STATEMENT OF CASH FLOWS

## Proprietary Funds — Discretely Presented Component Units

For the Fiscal Year Ended June 30, 1994

### COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Pennsylvania Turnpike Commission (May 31, 1994)	Pennsylvania Industrial Development Authority	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	Total
<b>CASH USED FOR OPERATIONS:</b>						
Operating income (loss) .....	\$ 12,743	\$ 6,723	\$ 17,629	\$ (219,850)	\$ 1,717	\$ (181,038)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation .....	134,851	....	309	7,773	31	142,964
Net amortization .....	....	170	....	....	....	170
Provisions for unallocable accounts .....	....	1,825	18,208	....	2,814	22,847
Nonoperating revenues .....	38,231	....	....	4,331	....	42,562
Changes in assets and liabilities:						
Increase in receivables .....	(3,978)	(12,618)	(20,499)	(24,607)	(139,580)	(201,282)
Increase in due from primary government .....	(2,059)	....	....	(982)	....	(3,041)
Decrease in due from other governments .....	....	....	....	6,721	....	6,721
Decrease in inventory .....	1,571	....	....	....	....	1,571
(Increase) decrease in other current assets .....	(951)	(8,864)	3,574	709	(111)	(5,643)
Increase (decrease) in accounts payable and account liabilities .....	(2,735)	(135)	(12,437)	4,065	1,100	(10,142)
Decrease in due to other funds .....	....	....	....	....	(39,769)	(39,769)
Increase (decrease) in due to primary government .....	107	(4)	14	26	37,819	37,962
Decrease in due to other governments .....	....	....	....	1,959	1	1,960
Increase (decrease) in deferred revenue .....	....	....	(1,789)	4,494	(584)	2,121
Increase (decrease) in other current liabilities .....	(2,771)	(4,536)	12,405	1,142	....	6,240
<b>TOTAL ADJUSTMENTS .....</b>	<b>162,266</b>	<b>(24,162)</b>	<b>(215)</b>	<b>5,631</b>	<b>(138,279)</b>	<b>5,241</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>175,009</b>	<b>(17,439)</b>	<b>17,414</b>	<b>(214,219)</b>	<b>(136,562)</b>	<b>(175,797)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Proceeds from issuance of notes payable and revenue bonds .....	....	357,348	567,392	35,305	....	960,045
Principal paid on notes payable and revenue bonds .....	....	(276,822)	(698,919)	(34,805)	....	(1,010,546)
Operating transfers from primary government .....	....	....	19,500	234,628	....	254,128
Increase in contributed capital .....	....	70,000	....	....	....	70,000
Decrease in contributed capital .....	....	(93,390)	....	....	....	(93,390)
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>....</b>	<b>57,136</b>	<b>(112,027)</b>	<b>235,128</b>	<b>....</b>	<b>180,237</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Proceeds from issuance of revenue bonds .....	110,776	....	....	....	50,000	160,776
Principal paid on revenue bonds .....	(7,030)	....	....	....	(625)	(7,655)
Interest paid on revenue bonds .....	(45,399)	....	....	....	....	(45,399)
Increases in contributed capital .....	6,083	....	....	....	137,284	143,367
Decrease in contributed capital .....	....	....	....	....	(3,260)	(3,260)
Acquisition and construction of capital assets .....	(217,906)	....	(1,519)	(18,361)	(3)	(237,789)
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(153,476)</b>	<b>....</b>	<b>(1,519)</b>	<b>(18,361)</b>	<b>183,396</b>	<b>10,040</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Purchase of investments .....	(178,172)	(7,577,932)	(491,767)	(1,395,610)	(675,756)	(10,319,237)
Proceeds for sale and maturities of investments .....	170,313	7,538,201	584,879	1,398,612	630,566	10,322,571
Investment income .....	15,877	....	....	....	....	15,877
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES .....</b>	<b>8,018</b>	<b>(39,731)</b>	<b>93,112</b>	<b>3,002</b>	<b>(45,190)</b>	<b>19,211</b>
<b>NET INCREASE (DECREASE) IN CASH .....</b>	<b>29,551</b>	<b>(34)</b>	<b>(3,020)</b>	<b>5,550</b>	<b>1,644</b>	<b>33,691</b>
<b>CASH, JULY 1, 1993 .....</b>	<b>4,646</b>	<b>1,078</b>	<b>6,309</b>	<b>17,900</b>	<b>1,342</b>	<b>31,275</b>
<b>CASH, JUNE 30, 1994 .....</b>	<b>\$ 34,197</b>	<b>\$ 1,044</b>	<b>\$ 3,289</b>	<b>\$ 23,450</b>	<b>\$ 2,986</b>	<b>\$ 64,966</b>

During the fiscal year ended June 30, 1994 the Pennsylvania Higher Education Assistance Agency entered into a capital lease for a building, in the amount of \$56,837.

— See notes to financial statements. —

**COMBINING BALANCE SHEET**  
**College and University Funds — Discretely Presented Component Unit**

June 30, 1994

**COMMONWEALTH OF PENNSYLVANIA**  
 (Expressed in Thousands)

	Current Funds		Endowment and Similar Funds	Plant Funds				Agency	Totals
	Unrestricted	Restricted		Loan Funds	Unexpended	Renewal and Replacement	Retirement of Indebtedness		
<b>ASSETS</b>									
Cash—Note D	\$ 5,393	\$	\$	\$	\$	\$	\$	\$	\$ 5,393
Temporary investments—Note D	281,322			10,510					291,832
Long-term investments—Note D	54	181	4,265	1,513		65,073			71,086
Receivables, net:									
Accounts	13,292	5,894			405	43		265	19,899
Accrued interest			86						86
Loans—Note G			24,786						24,786
Other	4,133			817					4,950
Due from other funds—Note H	4,841	5,763	2,871	45,705	49,691	9,724		13,957	129,488
Inventory									4,841
Fixed assets—Note E									608,599
Less: accumulated depreciation									(171,988)
Other assets	18,650	79		141	180	4,659			23,709
<b>TOTAL ASSETS</b>	<b>\$ 327,685</b>	<b>\$ 11,917</b>	<b>\$ 7,222</b>	<b>\$ 58,686</b>	<b>\$ 50,276</b>	<b>\$ 79,499</b>	<b>\$ 436,611</b>	<b>\$ 14,222</b>	<b>\$ 1,012,681</b>
<b>LIABILITIES AND FUND EQUITY</b>									
<b>Liabilities:</b>									
Accounts payable and accrued liabilities	\$ 73,027	\$ 1,641	\$	\$ 4,684	\$ 2,860	\$ 667	\$ 5,212	\$ 247	\$ 88,450
Due to other funds—Note H	127,466						2,022		129,488
Due to primary government—Note H	8,046								8,046
Deferred revenue	29,864								29,864
Notes payable—Note J							56		56
Other liabilities	297,957		52				880	13,975	312,864
Capital lease obligations—Note K				8,895		6,828	193,032		208,755
<b>TOTAL LIABILITIES</b>	<b>536,360</b>	<b>1,641</b>	<b>112</b>	<b>13,579</b>	<b>2,860</b>	<b>7,495</b>	<b>201,202</b>	<b>14,222</b>	<b>777,523</b>
<b>Fund Equity:</b>									
Investment in fixed assets							235,409		235,409
Fund Balance:									
Reserved for:									
Encumbrances	8,587	871		7,347	6,303				23,108
Loans receivable									26,451
Endowment and similar funds	13,245		7,170						20,415
Restricted fund balance		9,405		8,550	25,210	2,823			45,988
Other—Note B	67,450								67,450
Unreserved:									
Undesignated (deficit)—Note C	(297,957)			29,210	15,903	69,181			(183,663)
<b>TOTAL FUND EQUITY</b>	<b>(208,675)</b>	<b>10,276</b>	<b>7,170</b>	<b>45,107</b>	<b>47,416</b>	<b>72,004</b>	<b>235,409</b>	<b>14,222</b>	<b>235,158</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 327,685</b>	<b>\$ 11,917</b>	<b>\$ 7,222</b>	<b>\$ 58,686</b>	<b>\$ 50,276</b>	<b>\$ 79,499</b>	<b>\$ 436,611</b>	<b>\$ 14,222</b>	<b>\$ 1,012,681</b>

— 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, 1994*

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds				Totals
	Unrestricted	Restricted			Unexpended	Renewal and Replacement	Refinement of Indebtedness	Investment in Plant	
<b>REVENUES AND OTHER ADDITIONS:</b>									
Unrestricted current funds	\$ 533,803	\$	\$	\$	\$	\$	\$	\$	\$ 533,803
Gifts and bequests		2,381		145	2,159	192	60	562	5,499
Grants and contracts		103,849	103		635	86			104,673
Federal advances			1,663						1,663
Endowment income		476							476
Investment income		270	87		684	170	8,005		9,216
Interest on loans receivable			658						658
Expended for plant facilities — Net of disposals (including \$18,028 charged to current funds expenditures)								75,001	75,001
Retirement of indebtedness					263		1,892	15,500	17,655
Other				15	1,571	5,795	2,527		9,908
<b>TOTAL REVENUES AND OTHER ADDITIONS</b>	<b>533,803</b>	<b>106,976</b>	<b>2,511</b>	<b>160</b>	<b>5,312</b>	<b>6,243</b>	<b>12,484</b>	<b>91,063</b>	<b>758,552</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>									
Educational and general	737,645	107,297							844,942
Auxiliary enterprises	108,580	114							108,694
Loan cancellations			628						628
Administrative and collection costs			497						497
Expended for plant facilities					14,561	15,340	394	34,500	64,795
Depreciation on plant facilities								30,804	30,804
Retirement of indebtedness							17,655		17,655
Interest on indebtedness							10,684		10,684
Other		3,229	159					8,030	11,418
<b>TOTAL EXPENDITURES AND OTHER DEDUCTIONS</b>	<b>846,225</b>	<b>110,640</b>	<b>1,284</b>		<b>14,561</b>	<b>15,340</b>	<b>28,733</b>	<b>73,334</b>	<b>1,090,117</b>
<b>TRANSFER AND ALLOCATION AMONG FUNDS — ADDITIONS (DEDUCTIONS):</b>									
Mandatory:									
Principal and interest	(9,937)				(881)	(709)	11,527		
Other	(192)	(7)	192	7					
Nonmandatory:									
Operating transfers from Primary Government—Note H	357,922	2,492				4,500			364,914
Other	(41,400)	(81)		126	12,196	12,400	16,759		
<b>TRANSFERS AND ALLOCATIONS, NET</b>	<b>306,393</b>	<b>2,404</b>	<b>192</b>	<b>133</b>	<b>11,315</b>	<b>16,191</b>	<b>28,286</b>		<b>364,914</b>
<b>NET INCREASE (DECREASE) FOR THE YEAR</b>	<b>(6,029)</b>	<b>(1,260)</b>	<b>1,419</b>	<b>293</b>	<b>2,066</b>	<b>7,094</b>	<b>12,037</b>	<b>17,729</b>	<b>33,349</b>
<b>FUND BALANCES (DEFICITS), AS RESTATED, JULY 1, 1993—Note C</b>	<b>(202,646)</b>	<b>11,536</b>	<b>25,032</b>	<b>6,877</b>	<b>43,041</b>	<b>40,322</b>	<b>59,967</b>	<b>217,680</b>	<b>201,809</b>
<b>FUND BALANCES (DEFICITS), JUNE 30, 1994</b>	<b>\$ (208,675)</b>	<b>\$ 10,276</b>	<b>\$ 26,451</b>	<b>\$ 7,170</b>	<b>\$ 45,107</b>	<b>\$ 47,416</b>	<b>\$ 72,004</b>	<b>\$ 235,409</b>	<b>\$ 235,158</b>

— 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, 1994**

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>REVENUES:</b>			
Tuition and fees .....	\$ 365,631	\$ . . . .	\$ 365,631
Government grants and contracts:			
State and local .....	793	43,519	44,312
Federal .....	1,485	57,279	58,764
Private gifts, grants and contracts .....	2,301	5,204	7,505
Investment income .....	10,773	216	10,989
Endowment income .....	32	453	485
Activities of educational departments .....	6,784	72	6,856
Other sources .....	21,284	233	21,517
Auxiliary enterprises .....	124,720	. . . .	124,720
<b>TOTAL REVENUES</b> .....	<u>533,803</u>	<u>106,976</u>	<u>640,779</u>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>			
<b>EXPENDITURES:</b>			
Educational and general:			
Instruction .....	388,473	4,449	392,922
Research .....	925	1,421	2,346
Public service .....	7,630	16,274	23,904
Academic support .....	75,657	3,347	79,004
Student services .....	60,555	3,853	64,408
Operations and maintenance of plant .....	78,334	272	78,606
General institutional support .....	118,981	3,995	122,976
Student aid .....	7,090	73,686	80,776
<b>TOTAL EDUCATIONAL AND GENERAL</b> .....	<u>737,645</u>	<u>107,297</u>	<u>844,942</u>
Auxiliary enterprises .....	108,580	114	108,694
<b>TOTAL EXPENDITURES</b> .....	<u>846,225</u>	<u>107,411</u>	<u>953,636</u>
<b>MANDATORY TRANSFERS:</b>			
Principal and interest .....	9,937	. . . .	9,937
Other .....	192	7	199
<b>TOTAL MANDATORY TRANSFERS</b> .....	<u>10,129</u>	<u>7</u>	<u>10,136</u>
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b> .....	<u>856,354</u>	<u>107,418</u>	<u>963,772</u>
<b>OPERATING TRANSFERS, OTHER TRANSFERS AND DEDUCTIONS:</b>			
Operating transfers from Primary Government—Note H .....	357,922	2,492	360,414
Other transfers .....	(41,400)	(81)	(41,481)
Deductions .....	. . . .	(3,229)	(3,229)
<b>OPERATING TRANSFERS, OTHER TRANSFERS AND DEDUCTIONS, NET</b> .....	<u>316,522</u>	<u>(818)</u>	<u>315,704</u>
<b>NET DECREASE IN FUND BALANCES</b> .....	<u>\$ (6,029)</u>	<u>\$ (1,260)</u>	<u>\$ (7,289)</u>

— See notes to financial statements. —

## COMMONWEALTH OF PENNSYLVANIA

## NOTE A—FINANCIAL REPORTING ENTITY

Effective July 1, 1993, the Commonwealth adopted the Governmental Accounting Standards Board's Statement 14, "The Financial Reporting Entity." This standard requires that the Commonwealth's financial reporting entity be defined according to specific criteria. According to the standard, 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. 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. 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 employe retirement system which covers Commonwealth employes. 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 employes. The PG makes essentially all employer contributions to the SERS; PG employes make almost all of the employe contributions to the SERS (virtually all PG employes 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 be morally obligated for the SPSBA and the HEFA debt.

*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

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE A—Financial Reporting Entity (continued)**

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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, the PG may be morally obligated for the PHEAA revenue bonds. 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 Department of Commerce.

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 may be morally obligated for the PIDA debt.

***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 Resources.

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 may be morally obligated for the PENNVEST debt. 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.

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE A—Financial Reporting Entity (continued)**

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 revert to the Department of Transportation. The Governor must approve the issuance of all the PTC debt. The PG may be morally obligated for the PTC debt.

**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. Employer contributions are made equally by covered school districts and by the PG; 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 may be morally obligated for the SSHE debt.

### **Restated Fund Balances/Retained Earnings**

As part of implementing the requirements of GASB 14, the June 30, 1993 fund balances/retained earnings for those organizations which were previously included in the financial reporting entity and are now included in the financial reporting entity as discretely presented component units, have been newly reported as the July 1, 1993 fund balances/retained earnings for the governmental, proprietary, pension trust and college and university discretely presented component units. The amounts included as part of this restatement are disclosed as part of Note C to the financial statements.

### **Financial Reports**

Audited financial statements for all component units are available from the individual organizations. Interested parties should write to the Deputy Secretary for Comptroller Operations, Room 207 Finance Building, Harrisburg, PA 17120, to learn how to obtain these reports.

### **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 PMRS is not included in the financial reporting entity.

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE A—Financial Reporting Entity (continued)**

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#### **Joint Venture**

The Commonwealth, through its Office of Administration, created the Pennsylvania Employees Benefit Trust Fund (PEBTF) using a contractual agreement with various Commonwealth employe labor unions. The PEBTF establishes and provides Commonwealth employe health and welfare benefits. The PEBTF is administered by a governing board, 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. Employe unions are not financially responsible for making contributions. Neither the Commonwealth nor the employe 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, as 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, the lack of imposition of will and the lack of fiscal dependency, these universities are excluded from the financial reporting entity.

The Pennsylvania Energy Development Authority (PEDA) meets the criteria for inclusion as a component unit, as it is legally separate, the PG appoints all voting board members and the PEDA is fiscally dependent on the PG. However, since the PEDA has issued only non-recourse debt to finance several energy-related projects, neither the limited obligation debt nor the related loans receivable, which constitute almost all of the PEDA’s financial activity, are reported. The non-recourse debt is disclosed in Note K to the financial statements.

# 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. Although included as a Special Revenue Fund, the State Lottery Fund reports on a basis of accounting which provides results which are the same as if the full accrual method of accounting were used, except for fixed assets and related depreciation, which are not reported.

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

*Capital Projects Funds* — Account for financial resources to be used for the acquisition or construction of major capital facilities, including those provided to political subdivisions and other public organizations (other than those financed by Proprietary or Fiduciary Funds).

### Proprietary Funds

*Enterprise Funds* — Account for operations that are financed and operated in a manner similar to private business enterprises. Costs of providing goods and services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges. The State Workmen's Insurance Fund is included for its fiscal year ended December 31, 1993 and the State Stores Fund for its fiscal year ended June 28, 1994.

*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 and Agency Funds. The State Employees' Retirement System, a Pension Trust Fund, and the Deferred Compensation Fund, an Agency Fund, are included for their fiscal years ended December 31, 1993.

### 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.

# NOTES TO FINANCIAL STATEMENTS

## NOTE B—Summary of Significant Accounting Policies (continued)

The Component Units include Governmental Funds, Proprietary Funds, a Pension Trust Fund and College and University Funds which are legally separate from the Commonwealth but are considered part of the reporting entity. The College and University Funds are as follows:

### College and University Funds

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

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

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

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

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

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

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

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

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

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

**Measurement Focus and Basis of Accounting (GAAP):** The general, special revenue, debt service, capital projects funds (Governmental Fund Types) and expendable trust funds are reported using the current financial resources measurement focus and modified accrual basis of accounting. Assets and liabilities of agency funds are reported using the modified accrual basis of accounting. Under this measurement focus only current assets and current liabilities are normally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. 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.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE B—Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Budgetary control is exercised at the appropriation level (legislative spending authority level). Encumbrances and expenditures cannot exceed appropriated amounts. Appropriation transfers between departments and any supplemental appropriations require both executive and legislative branch approval. Unencumbered and unexpended appropriations lapse at fiscal year end and become available for appropriation in the subsequent year. On the budgetary basis of accounting, certain estimated tax revenue accruals are recorded at fiscal year end for the General Fund and the Motor License Fund, a Special Revenue Fund. Accruals include sales and use taxes and personal income taxes, both applicable to the General Fund, and liquid fuels taxes applicable to the Motor License Fund, which are estimated to be owed to the Commonwealth but not collected at fiscal year end. Also, estimated encumbrances are established for all funds at fiscal year end to pay certain direct expenditures for salaries, wages, travel, and utility costs payable against current year appropriation authority but expended in the subsequent year. Over-estimates of prior year encumbrances are lapsed in the subsequent year and under-estimates are charged to subsequent year appropriation authority. A separate document, "Status of Appropriations" for the fiscal year ended June 30, 1994 reports the level of legal control at the appropriation level for specific departmental programs and functions, and is available from the Commonwealth's Office of the Budget.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE B—Summary of Significant Accounting Policies (continued)

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

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

The legally adopted budget for the General Fund includes \$55.5 million in supplemental appropriations approved during the fiscal year ended June 30, 1994.

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

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

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

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

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

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

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

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

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

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

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

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

**Amounts Available in Commonwealth Funds:** The amount available for retirement of Other General Long-Term Obligations in the amount of \$2.4 million, is reported as part of fund balance, "Reserved for other" in the General Fund at June 30, 1994.

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

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

**Compensated Absences:** Effective July 1, 1993 the Commonwealth has adopted the accounting and reporting standards required by the Governmental Accounting Standards Board's Statement 16, "Accounting for Compensated Absences." This standard, in part, requires that liabilities associated with probable payments for sick leave for employees who have not yet qualified, but who are expected to qualify for payments, be reported. The adoption of this standard has resulted in an increase and restatement of previously reported general long term governmental obligations as well as a reduction and a restatement of certain previously reported proprietary fund's retained earnings balances as of July 1, 1993. The amounts included as part of this restatement are disclosed as part of Note C to the financial statements.

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

Employees accumulate sick leave based on 5 percent of regular hours paid to a maximum of 300 days. 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

# NOTES TO FINANCIAL STATEMENTS

## NOTE B—Summary of Significant Accounting Policies (continued)

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

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

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

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

The amount reserved for advances in the General Fund, \$69.5 million, is applicable to a demand loan to the State Stores Fund for \$66 million, an advance to the State Workmen's Insurance Fund for \$1.3 million, both Enterprise Funds, and an advance to the Motor License Fund for \$2.2 million, a Special Revenue Fund. For its fiscal year ended December 31, 1993 the State Workmen's Insurance Fund has reported an advance from the General Fund in the amount of \$2 million.

The \$5.4 million reported as "Reserved for other" in the General Fund at June 30, 1994 includes \$2.4 million for arbitrage rebate tax, \$2.2 million advances to organizations outside the financial reporting entity and \$.8 million for other reservations.

The \$67.5 million reported as "Reserved for other" in the College and University Funds, a discretely presented component unit, at June 30, 1994 pertains to approved academic projects that will begin in subsequent fiscal periods.

Reserved retained earnings reported for Enterprise Funds are provided principally for insurance claims relating to The State Workmen's Insurance Fund and loans relating to the Minority Business Development Loan Fund. 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, student loans relating to the Pennsylvania Higher Education Assistance Agency, and housing loans relating to the Pennsylvania Housing Finance Agency. At June 30, 1994 the Commonwealth has included the following reservations of retained earnings for the Enterprise Funds and the Discretely Presented Component Unit Proprietary Funds (expressed in thousands):

	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>
State Workmen's Insurance Fund.....	\$ 91,566	\$ . . . . .
Pennsylvania Turnpike Commission.....	. . . . .	931,731
Pennsylvania Higher Education Assistance Agency .....	. . . . .	198,659
Pennsylvania Housing Finance Agency .....	. . . . .	98,862
Other Enterprise Funds .....	<u>7,902</u>	. . . . .
<b>Total</b>	<u>\$ 99,468</u>	<u>\$1,229,252</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE B—Summary of Significant Accounting Policies (continued)

Designations of unreserved fund balances reflect managerial plans for the future use of financial resources. At June 30, 1994 the Commonwealth has included the following amounts as "Designated—Other" for the General Fund and Special Revenue Funds (expressed in thousands):

General Fund:	
Restricted revenue .....	\$ 150,292
Continuing programs .....	133,057
Group medical and life insurance .....	109,229
Tax stabilization .....	29,953
Other .....	26,397
Total General Fund .....	\$ 448,928
Special Revenue Funds:	
Land reclamation .....	\$ 25,395
Economic development .....	16,793
Energy conservation and development .....	6,043
Solid waste grants .....	4,837
Other .....	1,921
Total Special Revenue Funds .....	\$ 54,989

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

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

**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, 1994 is presented in Note H.

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

# NOTES TO FINANCIAL STATEMENTS

## NOTE C—FUND BALANCE DEFICITS/RESTATEMENTS

The State Lottery Fund, a Special Revenue Fund, reported a fund balance deficit of \$22.0 million at June 30, 1994. This deficit results from increasing expenditures for benefits for the elderly and stable lottery revenues. The Pharmaceutical Assistance Fund, a Special Revenue Fund, reported a fund balance deficit of \$5.9 million at June 30, 1994.

The Local Criminal Justice Sinking Fund, a Debt Service Fund, reported a \$35 thousand deficit fund balance at June 30, 1994. This fund is reported in the "other fund" category and had no fund balance designations.

The Capital Facilities Fund, a Capital Projects Fund, reported a deficit unreserved/undesignated fund balance of \$168,706 at June 30, 1994. In total, the Capital Facilities Fund reported a fund balance of \$106,943 at June 30, 1994. Total Capital Projects Funds reported reservations for encumbrances of \$276,720, designations for Capital Projects of \$4,837 and a deficit unreserved/undesignated fund balance of \$168,706, for a total combined fund balance of \$112,851 at June 30, 1994 (amounts in thousands).

As part of implementing GASB 14, the previously reported June 30, 1993 fund balances for governmental funds and the pension trust fund and retained earnings for proprietary funds for those organizations which were previously included in the Commonwealth's financial reporting entity, and are newly reported as discretely presented component units, have been reported as July 1, 1993 fund balances/retained earnings for those component units. Correspondingly, the previously reported June 30, 1993 fund balances and retained earnings for organizations treated as primary government have been reduced and restated for the same amounts. The following summary discloses the previously reported fund balances/retained earnings as of June 30, 1993, the amount of the reductions and the restated fund balances/retained earnings as of July 1, 1993 for the following fund types (amounts in thousands):

	Previously Reported Balances June 30, 1993	Reductions for Discretely Presented Component units	Reductions for Compensated Absences Liability Restatement	Primary Government Restated Balances July 1, 1993
<b>Fund Balances:</b>				
Governmental Fund Types and Expendable Trust Funds .....	\$ 3,627,672	\$ ( 267,234 )	\$ . . . .	\$ 3,360,438
<b>Retained Earnings/Fund Balances:</b>				
Proprietary Fund Types and Pension Trust Fund .....	35,905,339	( 23,322,513 )	( 5,865 )	12,576,961
<b>Fund Balances:</b>				
College and University Funds .....	451,154	( 451,154 )	. . . .	. . . .

## NOTES TO FINANCIAL STATEMENTS

### NOTE C—Fund Balance Deficits/Restatements (continued)

As part of newly implementing the Governmental Accounting Standards Board's Statement 16, "Accounting for Compensated Absences," previously-reported liabilities for annual and sick leave have been increased and restated. For governmental fund types, the amount in the General Long-Term Obligations Account Group related to compensated absences was \$287,090, as reported at June 30, 1993. This liability has been increased by \$103,073 and is restated at \$390,163 as of July 1, 1993 (amounts in thousands). For proprietary fund types, previously-reported liabilities have been increased and retained earnings balances have been decreased by \$5,865 and restated as of July 1, 1993 as follows (amounts in thousands):

	Previously Reported Balance June 30, 1993	Decrease	Restated Balance July 1, 1993
State Stores Fund .....	\$ 20,907	\$ 5,320	\$ 15,587
(Enterprise)			
Hiram G. Andrews Center Fund .....	10,980	232	10,748
(Enterprise)			
Coal and Clay Mine Subsidence Fund .....	10,306	20	10,286
(Enterprise)			
Manufacturing Fund .....	21,250	178	21,072
(Internal Service)			
Purchasing Fund .....	18,784	115	18,669
(Internal Service)			

The State System of Higher Education (SSHE), a discretely presented component unit reported as College and University Funds previously reported total fund balance of \$451,154 as of June 30, 1993. As of July 1, 1993 this amount has been reduced by \$249,345 and is being restated as total fund balance of \$201,809. Effective July 1, 1993 the SSHE implemented Statement of Financial Accounting Standards Board's Statement No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions." The restatement results from the immediate recognition of transition obligation associated with total postretirement cost during the fiscal year ended June 30, 1994.

The previously reported retained earnings for the Pennsylvania Housing Finance Agency (PHFA), a discretely presented component unit reported as a Proprietary Fund, was \$254,787 at June 30, 1993. This amount has been increased and is being restated at \$315,080 as of July 1, 1993 to include the previously reported retained earnings of the Homeowners Emergency Mortgage Assistance Program (HEMAP) in the amount of \$60,293. The HEMAP is newly included in the PHFA through application of GASB 14 and will no longer be reported as a separate Proprietary Fund.

# 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 301.1 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 Credit Service or the equivalent by Standard and Poor's or Fitch's Rating Service; certificates of deposit issued by Pennsylvania banks or savings and loan associations; repurchase agreements secured by U.S. Government obligations that are held by the Treasury Department at the Federal Reserve bank; banker's acceptances; and up to a maximum of 10 percent of the book value of a fund's assets in any investment (other than common stock) not otherwise specifically authorized. The Treasury Department may also participate in reverse repurchase agreements; immaterial amounts were outstanding at June 30, 1994.

The deposit and investment policies of certain individual funds included in primary government and 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 and real estate during their fiscal years.

**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 units (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, 1994 (expressed in thousands).

### Primary Government

	Category 1	Category 2	Category 3	Total Bank Balance	Carrying Amount
Cash .....	\$ 39,707	\$ 17,629	\$ 8,667	\$ 66,003	\$ 108,156
Cash with fiscal agents .....	1,379,439	.....	15,272	1,394,711	1,394,711
Certificates of deposit and related items .....	173,618	147,861	16,345	337,824	295,818

The above-listed \$295,818 in certificates of deposit and related items is reported as part of primary government temporary investments at June 30, 1994.

### Discretely Presented Component Units

	Category 1	Category 2	Category 3	Total Bank Balance	Carrying Amount
Cash .....	\$ 1,570	\$ 34,957	\$ 57,684	\$ 94,211	\$ 79,919
Cash with fiscal agents .....	100	944	.....	1,044	1,044

**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, its trust department or its agent, but not in the Commonwealth's name. Certain investments have not been categorized because securities are not used as evidence of the investment. These uncategorized investments include ownership interests in mutual funds and in mortgage, real estate and venture capital pools. The following summaries identify the level of credit risk assumed by the Commonwealth and the total carrying amount and market value of Commonwealth investments at June 30, 1994 (expressed in thousands).



## NOTES TO FINANCIAL STATEMENTS

### NOTE D — Deposits and Investments (continued)

#### Primary Government

All primary government investments susceptible to credit risk are in category one.

	<u>Carrying Amount</u>	<u>Market Value</u>
Commercial paper .....	\$ 120,877	\$ 121,018
Common and preferred stock .....	2,500,809	2,500,671
Corporate bonds and notes .....	2,255,708	2,248,863
International fixed income .....	18,309	18,309
Mortgage backed securities .....	404	404
Repurchase agreements .....	2,284,421	2,284,421
State and municipal obligations .....	315,515	315,510
U.S. Government obligations .....	2,459,515	2,474,751
U.S. Government agency obligations .....	842,634	844,993
Other .....	4,824	4,824
Totals .....	<u>10,803,016</u>	<u>10,813,764</u>
Add invested amounts not susceptible to credit risk categorization:		
Investment pools in which State Employees' Retirement System (SERS) participates at December 31, 1993:		
Mortgage loans .....	807,547	807,547
Mutual funds .....	3,947,072	3,947,072
Real estate .....	842,333	842,333
Venture capital .....	138,227	138,227
Securities loaned by SERS at December 31, 1993:		
U.S. Government securities .....	642,714	642,714
Corporate bonds and notes .....	236,927	236,927
Common and preferred stocks .....	827,198	827,198
Investments owned by the Statutory Liquidator Fund at June 30, 1994:		
Annuities .....	909	909
Insurance Company Subsidiaries .....	5,511	5,511
Loans .....	1,760	1,760
Mortgage loans .....	25,415	25,415
Mutual funds .....	725	725
Partnership interests .....	602	602
	<u>18,279,956</u>	<u>18,290,704</u>
Certificates of deposit and related items .....	<u>295,818</u>	<u>295,818</u>
Total temporary and long-term investments .....	<u>\$ 18,575,774</u>	<u>\$ 18,586,522</u>

The above-listed \$295,818 in CD's are reported as investments at June 30, 1994 but have been treated as deposits for a determination of the level of credit risk associated with them.

The State Employees' Retirement System, a Pension Trust Fund, owns approximately 98 percent of the common and preferred stock, 84 percent of the corporate bonds and notes, 97 percent of mortgage loans and 100 percent of the real estate reported in the above summary. There were no violations of statutory authority or contractual provisions for investments during the year ended June 30, 1994.

## NOTES TO FINANCIAL STATEMENTS

### NOTE D — Deposits and Investments (continued)

#### Discretely Presented Component Units

	Carrying Amount				Market Value
	Category 1	Category 2	Category 3	Total	
Commercial paper .....	\$ .....	\$ 10,095	\$ 82,381	\$ 92,476	\$ 92,476
Common and preferred stock .....	11,225,099	.....	1,589	11,226,688	12,674,722
Corporate bonds and notes .....	1,570,579	20,468	53,710	1,644,757	1,596,295
International fixed income .....	1,285,462	.....	.....	1,285,462	1,284,615
Mortgage backed securities .....	2,500,462	.....	117,563	2,618,025	2,582,284
Repurchase agreements .....	146,509	584,173	79,956	810,638	810,638
State and municipal obligations .....	420,239	8,000	7,149	435,388	436,325
U.S. Government obligations .....	193,571	221,054	19,492	434,117	451,098
U.S. Government agency obligations .....	3,720,285	.....	81,224	3,801,509	3,726,383
Various short-term investments .....	47,749	27,208	3,794	78,751	78,739
Totals .....	<u>\$ 21,109,955</u>	<u>\$ 870,998</u>	<u>\$ 446,858</u>	<u>22,427,811</u>	<u>23,733,575</u>

#### Investments not susceptible to credit risk categorization:

Investments owned by the Pennsylvania Higher Educational Facilities Authority in U.S. government obligation mutual funds at June 30, 1994 .....	81,404	81,404
Investments owned by the State Public School Building Authority in Pennsylvania Treasury investment pool at June 30, 1994 .....	75,554	75,554
Investments owned by the Pennsylvania Higher Education Assistance Agency at June 30, 1994:		
Money market .....	85,875	85,875
Investment agreements .....	124,076	124,076
Pennsylvania Treasury investment pool .....	130,450	130,450
Investments owned by the Pennsylvania Housing Finance Agency at June 30, 1994:		
Investment agreements .....	96,696	96,696
Mutual funds .....	62,972	62,972
Pennsylvania Treasury investment pool .....	4,003	4,003
Investments owned by the Pennsylvania Industrial Development Authority in Pennsylvania Treasury investment pool at June 30, 1994 .....	81,330	81,330
Investments owned by the Pennsylvania Infrastructure Investment Authority at June 30, 1994:		
Mutual fund .....	11,026	11,026
Pennsylvania Treasury investment pool .....	100,076	100,076
Investments owned by the Public School Employees' Retirement System at June 30, 1994:		
Farmland investments .....	76,919	75,570
Global short term .....	1,218,975	1,220,721
Limited partnerships .....	75,000	78,560
Mortgage loans .....	87,618	89,996
Pennsylvania Treasury investment pool .....	392,345	392,345
Private placements, fixed income and equity .....	304,340	331,988
Real estate .....	819,809	787,895
Short term investments — health insurance account .....	29,776	28,944
Tactical asset allocations .....	100,855	100,816
Venture capital .....	111,386	141,694
Totals .....	<u>\$ 26,498,296</u>	<u>\$ 27,835,566</u>

The Public School Employees' Retirement System, a Pension Trust Fund, owns approximately 100 percent of the common and preferred stock, 95 percent of the corporate bonds and notes, 95 percent of mortgage loans and 100 percent of the real estate reported in the above summary. There were no violations of statutory authority or contractual provisions for investments during the year ended June 30, 1994.

# NOTES TO FINANCIAL STATEMENTS

## NOTE E—FIXED ASSETS

A summary of fixed assets by category at June 30, 1994 is as follows (expressed in thousands):

	Primary Government				Discretely Presented Component Units		
	Enterprise Funds	Internal Service Funds	Pension Trust Fund	General Fixed Assets Account Group	Proprietary Funds	Fiduciary Fund	College and University Funds
Land .....	\$ 323	\$ 6	\$ .....	\$ 238,843	\$ 73,684	\$ .....	\$ 4,362
Buildings .....	2,540	3,649	.....	2,667,274	335,390	.....	239,212
Improvements other than buildings .....	17,905	684	.....	196,088	21,926	.....	29,120
Furniture, machinery and equipment .....	64,590	48,578	100	503,472	152,976	11,792	294,763
Turnpike infrastructure .....	.....	.....	.....	.....	2,185,041	.....	.....
Construction in progress .....	.....	166	.....	88,645	107,052	.....	41,142
Total .....	<u>\$ 85,358</u>	<u>\$ 53,083</u>	<u>\$ 100</u>	<u>\$ 3,694,322</u>	<u>\$ 2,876,069</u>	<u>\$ 11,792</u>	<u>\$ 608,599</u>

Changes in general fixed assets for the fiscal year ended June 30, 1994 are as follows (expressed in thousands):

	Balance June 30, 1993	Additions	Retirements	Balance June 30, 1994
Land .....	\$ 229,752	\$ 9,112	\$ 21	\$ 238,843
Buildings .....	2,283,158	392,692	8,576	2,667,274
Improvements other than buildings .....	154,450	42,352	714	196,088
Furniture, machinery and equipment .....	477,422	40,738	14,688	503,472
	<u>3,144,782</u>	<u>484,894</u>	<u>23,999</u>	<u>3,605,677</u>
Construction in progress .....	129,340	31,075	71,770	88,645
Totals .....	<u>\$3,274,122</u>	<u>\$ 515,969</u>	<u>\$ 95,769</u>	<u>\$ 3,694,322</u>

Interest costs of \$18.7 million were capitalized for the Enterprise Funds for the fiscal year ended June 30, 1994.

The Commonwealth's initial valuation of general fixed assets was made as of June 30, 1986 using appraisal and historical cost reconstruction techniques. Subsequent to June 30, 1986 general fixed asset acquisitions are valued at cost. At June 30, 1994 the amount of general fixed assets related to the initial valuation amounts to \$2,028 million.

Construction in progress included in the General Fixed Assets Account Group at June 30, 1994 is composed of the following (expressed in thousands):

Project	Project Authorization	Expended Through June 30, 1994	Authorization Available
Department of Corrections Institutions .....	\$ 274,598	\$ 30,536	\$ 244,062
Colleges and Universities .....	174,321	17,293	157,028
Department of Transportation .....	45,078	7,318	37,760
Capitol Complex Buildings .....	36,262	813	35,449
Department of Environmental Resources .....	30,625	13,693	16,932
Department of Public Welfare Institutions .....	28,012	6,512	21,500
Historical Sites .....	13,926	3,506	10,420
Other .....	31,181	8,974	22,207
Total .....	<u>\$ 634,003</u>	<u>\$ 88,645</u>	<u>\$ 545,358</u>

## NOTE F—DUE FROM OTHER GOVERNMENTS

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

# NOTES TO FINANCIAL STATEMENTS

## NOTE G — TAXES, LOANS AND LEASE RENTAL RECEIVABLES

**Taxes Receivable:** Taxes receivable at June 30, 1994 consisted of the following (expressed in thousands):

	General Fund	Special Revenue Funds	Trust and Agency Funds	Total
Sales and use .....	\$ 472,778	\$ 18,063	\$ . . . . .	\$ 490,841
Unemployment compensation .....	. . . . .	. . . . .	430,708	430,708
Personal income .....	183,461	. . . . .	. . . . .	183,461
Corporation .....	82,970	. . . . .	. . . . .	82,970
Liquid fuels .....	. . . . .	57,321	2,725	60,046
Other .....	23,313	63,710	. . . . .	87,023
	<u>\$ 762,522</u>	<u>\$ 139,094</u>	<u>\$ 433,433</u>	<u>\$ 1,335,049</u>

**Notes and Loans Receivable:** Loans receivable at June 30, 1994 consisted of the following (expressed in thousands):

	Primary Government		Discretely Presented Component Units	
	Special Revenue Funds	Enterprise Funds	Proprietary Funds	College and University Funds
Mortgage loans .....	\$ . . . . .	\$ . . . . .	\$ 1,971,189	\$ . . . . .
Student loans .....	. . . . .	. . . . .	1,333,789	31,744
Business development loans .....	40,330	163,609	448,401	. . . . .
Municipal water system loans .....	28,744	. . . . .	787,993	. . . . .
Volunteer fire company loans .....	. . . . .	59,730	. . . . .	. . . . .
Nursing home loans .....	24,083	. . . . .	. . . . .	. . . . .
Other notes and loans .....	5,577	35,464	. . . . .	. . . . .
	<u>98,734</u>	<u>258,803</u>	<u>4,541,372</u>	<u>31,744</u>
Less: Allowance for uncollectible accounts .....	16,294	35,452	118,835	6,958
Loans receivable, net .....	<u>\$ 82,440</u>	<u>\$ 223,351</u>	<u>\$ 4,422,537</u>	<u>\$ 24,786</u>

Discretely presented component unit governmental funds reported \$1.2 million of loans to school districts at June 30, 1994.

**Lease Rentals Receivable:** The Pennsylvania Higher Educational Facilities Authority and 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 projects. The Capital Facilities Fund, a Capital Projects Fund, finances construction projects for educational institutions through the issuance of General Obligation Bonds, the principal and interest of which are paid through the collection of lease rental payments and deposited in their related Debt Service Funds. Also, at the conclusion of the lease terms, the project facilities are conveyed to the educational institutions. Accordingly, these lease arrangements are classified as direct financing leases. Lease rental receivables and associated deferred revenue equal to the principal lease payments to be received are recorded in the Special Revenue and Debt Service Funds relating to these arrangements. For the Capital Facilities Fund, the total minimum lease payments to be received was \$4 million and the present value of the lease payments was \$3 million at June 30, 1994, the difference representing interest of \$1 million. For discretely presented component units, total minimum lease payments was \$3,662 million, the present value was \$2,109 million and interest was \$1,553 million. A discretely presented proprietary fund component unit reported a lease rental receivable of \$13 million at June 30, 1994. Minimum lease payments for the five fiscal years succeeding June 30, 1994 are as follows (expressed in millions):

Fiscal Year Ending June 30	Primary Government	Discretely Presented Governmental Fund Component Units
1995 .....	\$ 1	\$ 170
1996 .....	1	170
1997 .....	. . . . .	194
1998 .....	. . . . .	175
1999 .....	. . . . .	221

## NOTES TO FINANCIAL STATEMENTS

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

A summary of interfund receivables and payables reported on the combined balance sheet at June 30, 1994 is as follows (expressed in thousands):

FUND TYPE/FUND  PRIMARY GOVERNMENT	DUE FROM		DUE TO	
	OTHER FUNDS	COMPONENT UNITS	OTHER FUNDS	COMPONENT UNITS
General .....	\$ 38,767	\$ 2,139	\$ 160,810	\$ 144,075
Special Revenue:				
Pennsylvania Economic Revitalization Fund .....	45,516	....	217	....
Agricultural Conservation Easement Fund .....	10,841	....	....	....
Hazardous Sites Clean-up Fund .....	20,600	....	217	....
Motor License Fund .....	3,066	2,608	17,829	5,395
Vocational Rehabilitation Fund .....	33	....	7,693	....
Other Funds .....	6,199	....	8,757	....
	<u>86,255</u>	<u>2,608</u>	<u>34,713</u>	<u>5,395</u>
Debt Service:				
Pennsylvania Infrastructure Investment Authority				
Redemption Fund .....	....	37,739	....	....
Tax Note Sinking Fund .....	....	....	2,184	....
Other Funds .....	169	....	....	....
	<u>169</u>	<u>37,739</u>	<u>2,184</u>	<u>....</u>
Capital Projects:				
Capital Facilities Fund .....	549	....	159	....
Land and Water Development Fund .....	....	....	19	....
	<u>549</u>	<u>....</u>	<u>178</u>	<u>....</u>
Enterprise:				
State Stores Fund .....	139	....	16,493	....
State Workmen's Insurance Fund .....	64	....	5,385	....
Rehabilitation Center Fund .....	7,082	....	159	....
Other Funds .....	750	....	58	....
	<u>8,035</u>	<u>....</u>	<u>22,095</u>	<u>....</u>
Internal Service:				
Purchasing Fund .....	7,875	950	8,818	....
Manufacturing Fund .....	3,409	9	236	....
	<u>11,284</u>	<u>959</u>	<u>9,054</u>	<u>....</u>
Expendable Trust:				
Catastrophic Loss Benefit Continuation Fund .....	....	....	4,893	....
Unemployment Compensation Fund .....	2,952	313	....	....
Workmen's Compensation Security Trust Fund .....	4,850	....	41	....
Tuition Payment Fund .....	....	....	125	....
	<u>7,802</u>	<u>313</u>	<u>5,059</u>	<u>....</u>
Pension Trust:				
State Employees' Retirement System .....	68,320	9,913	18	....
Agency:				
All Funds .....	1,350	....	1,310	....
<b>TOTAL PRIMARY GOVERNMENT .....</b>	<u><u>\$222,531</u></u>	<u><u>\$ 53,671</u></u>	<u><u>\$ 235,421</u></u>	<u><u>\$ 149,470</u></u>

## NOTES TO FINANCIAL STATEMENTS

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

DISCRETELY PRESENTED COMPONENT UNITS	DUE FROM		DUE TO	
	OTHER FUNDS	PRIMARY GOVERNMENT	OTHER FUNDS	PRIMARY GOVERNMENT
Governmental .....	\$ .....	\$ .....	\$ .....	\$ 1
Proprietary:				
Pennsylvania Infrastructure Investment Authority .....	.....	.....	.....	37,819
Pennsylvania Turnpike Commission .....	.....	3,305	.....	2,649
Other Funds .....	.....	982	.....	960
	.....	4,287	.....	41,428
Fiduciary:				
Public School Employees' Retirement System .....	.....	143,093	.....	609
College and University .....	129,488	.....	129,488	8,046
<b>TOTAL DISCRETELY PRESENTED COMPONENT UNITS .....</b>	<b>\$ 129,488</b>	<b>\$ 147,380</b>	<b>\$ 129,488</b>	<b>\$ 50,084</b>

## NOTES TO FINANCIAL STATEMENTS

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

The amount of total interfund receivables of \$553,070 does not agree with total interfund payables of \$564,463 at June 30, 1994 due to different fiscal year ends for certain funds included in the combined balance sheet at June 30, 1994. The amounts shown as interfund accounts for the State Employees' Retirement System, a Pension Trust Fund, and the Deferred Compensation Fund, an Agency Fund, are as of their fiscal year end of December 31, 1993. The amounts shown for the State Workmen's Insurance Fund, an Enterprise Fund, and the Pennsylvania Turnpike Commission, a discretely presented component unit proprietary fund, are as of their respective fiscal year ends of December 31, 1993 and May 31, 1994. The following presents a reconciliation of interfund accounts reported at June 30, 1994 (expressed in thousands) and those amounts which would have been reported if all funds used the same fiscal year end:

Due from other funds - Combined Balance Sheet at June 30, 1994 . . . . .	\$352,019
Due from component units - Combined Balance Sheet at June 30, 1994 . . . . .	53,671
Due from primary government - Combined Balance Sheet at June 30, 1994 . . . . .	<u>147,380</u>
Interfund receivables - Combined Balance Sheet . . . . .	553,070
Pennsylvania Turnpike Commission increase in receivables from June 1, 1994 through June 30, 1994 . . . . .	2,090
State Workmen's Insurance Fund increase in receivables from January 1, 1994 through June 30, 1994 . . . . .	103
State Employees' Retirement System increase in receivables from January 1, 1994 through June 30, 1994 . . . . .	<u>7,603</u>
<b>TOTAL INTERFUND RECEIVABLES . . . . .</b>	<b><u>\$562,866</u></b>
Due to other funds - Combined Balance Sheet at June 30, 1994 . . . . .	\$364,909
Due to component units - Combined Balance Sheet at June 30, 1994 . . . . .	149,470
Due to primary government - Combined Balance Sheet at June 30, 1994 . . . . .	<u>50,084</u>
Interfund payables - Combined Balance Sheet . . . . .	564,463
Deferred Compensation Fund decrease in payables from January 1, 1994 through June 30, 1994 . . . . .	(181)
State Employees' Retirement System increase in payables from January 1, 1994 through June 30, 1994 . . . . .	273
State Workmen's Insurance Fund decrease in payables from January 1, 1994 through June 30, 1994 . . . . .	(4,577)
Pennsylvania Turnpike Commission increase in payables from June 1, 1994 through June 30, 1994 . . . . .	<u>2,888</u>
<b>TOTAL INTERFUND PAYABLES . . . . .</b>	<b><u>\$562,866</u></b>

# NOTES TO FINANCIAL STATEMENTS

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

A summary of operating transfers reported for the fiscal year ended June 30, 1994 is as follows (expressed in thousands):

FUND TYPE/FUND PRIMARY GOVERNMENT	OPERATING TRANSFERS			
	IN	FROM COMPONENT UNITS	OUT	To COMPONENT UNITS
General .....	\$ 320,242	\$ ....	\$ 597,583	\$ 619,042
Special Revenue:				
State Lottery Fund .....	266	....	229,294	....
Motor License Fund .....	57,034	....	470,637	....
Pharmaceutical Assistance Fund .....	207,000	....	....	....
Vocational Rehabilitation Fund .....	23,035	....	....	....
Pennsylvania Economic Revitalization Fund .....	65,990	....	581	....
Water Facilities Loan Fund .....	....	....	13,960	....
Other Funds .....	6,091	....	19,123	....
	<u>359,416</u>	<u>....</u>	<u>733,595</u>	<u>....</u>
Debt Service:				
Land and Water Development Sinking Fund .....	35,164	....	....	....
Water Facilities Loan Redemption Fund .....	17,952	....	....	....
Capital Debt Fund .....	636,325	....	....	....
Pennsylvania Infrastructure Investment Authority Redemption Fund .....	16,956	....	....	....
Disaster Relief Redemption Fund .....	10,106	....	....	....
Pennsylvania Economic Revitalization Sinking Fund .....	13,691	....	....	....
Other Funds .....	25,919	....	894	....
	<u>756,113</u>	<u>....</u>	<u>894</u>	<u>....</u>
Capital Projects:				
Capital Facilities Fund .....	....	....	55,328	....
Land and Water Development Fund .....	....	....	148	....
	<u>....</u>	<u>....</u>	<u>55,476</u>	<u>....</u>
Enterprise:				
State Stores Fund .....	....	....	48,105	....
Expendable Trust:				
State School Fund .....	5	....	....	....
Tuition Payment Fund .....	....	....	123	....
	<u>5</u>	<u>....</u>	<u>123</u>	<u>....</u>
Pension Trust:				
State Employees' Retirement System .....	....	7,851	....	2,968
<b>TOTAL PRIMARY GOVERNMENT .....</b>	<b>\$ 1,435,776</b>	<b>\$ 7,851</b>	<b>\$ 1,435,776</b>	<b>\$ 622,010</b>

DISCRETELY PRESENTED COMPONENT UNITS	OPERATING TRANSFERS			
	IN	FROM PRIMARY GOVERNMENT	OUT	To PRIMARY GOVERNMENT
Governmental Funds .....	\$ 483,874	\$ ....	\$ 483,874	\$ ....
Proprietary:				
Pennsylvania Higher Education Assistance Agency .....	....	234,628	....	....
Pennsylvania Housing Finance Agency .....	....	19,500	....	....
	<u>....</u>	<u>254,128</u>	<u>....</u>	<u>....</u>
Fiduciary:				
Public School Employees' Retirement System .....	....	2,246	....	6,089
College and University Funds .....	....	364,914	....	....
<b>TOTAL DISCRETELY PRESENTED COMPONENT UNITS .....</b>	<b>\$ 483,874</b>	<b>\$ 621,288</b>	<b>\$ 483,874</b>	<b>\$ 6,089</b>



## NOTES TO FINANCIAL STATEMENTS

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

The amount of total operating transfers in of \$2,548,789 does not agree with total operating transfers out of \$2,547,749 for the fiscal year ended June 30, 1994 due to different fiscal year ends for certain funds included in the financial reporting entity. The amounts shown as operating transfers for the State Employees' Retirement System, a Pension Trust Fund, are for the fiscal year ended December 31, 1993. The following presents a reconciliation of operating transfers reported in the financial statements to those transfer amounts which would have been reported if all funds used the same fiscal year end (expressed in thousands):

Operating transfers in - all funds .....	\$ 1,919,650
Operating transfers from primary government .....	621,288
Operating transfers from component units .....	7,851
Sub-total Interfund Operating Transfers in .....	2,548,789
State Employees' Retirement System decrease in operating transfers in for the period January 1, 1994 to June 30, 1994 .....	(1,762)
TOTAL INTERFUND OPERATING TRANSFERS IN .....	\$ 2,547,027
Operating transfers out - all funds .....	\$ 1,919,650
Operating transfers to component units .....	622,010
Operating transfers to primary government .....	6,089
Sub-total Interfund Operating transfers out .....	2,547,749
State Employees' Retirement System decrease in operating transfers out for the period January 1, 1994 to June 30, 1994 .....	(722)
TOTAL OPERATING TRANSFERS OUT .....	\$ 2,547,027

Increases and decreases in contributed capital for proprietary fund types — primary government and discretely presented component units — during the fiscal year ended June 30, 1994 are summarized as follows (amounts in thousands):

<b>Cash flows from noncapital financing activities:</b>	
Increases in contributed capital—primary government .....	\$ 20,765
Decreases in contributed capital—primary government .....	(7)
Increases in contributed capital—discretely presented component units .....	70,000
Decreases in contributed capital—discretely presented component units .....	(93,390)
<b>Cash flows from capital and related financing activities:</b>	
Increases in contributed capital—primary government .....	751
Increases in contributed capital—discretely presented component units .....	143,367
Decreases in contributed capital—discretely presented component units .....	(3,260)
Net increase in contributed capital for proprietary fund types—primary government and discretely presented component units .....	\$138,266

The following summary reconciles the above-listed net change in contributed capital to net governmental residual equity transfers (amounts in thousands):

Net governmental residual equity transfers .....	\$ 16,304
add: general obligation bond proceeds received by the Volunteer Companies Loan Fund .....	9,835
add: general obligation bond proceeds and federal funds received by the Pennsylvania Infrastructure Investment Authority .....	107,870
less: program grants disbursed by the Pennsylvania Infrastructure Investment Authority .....	(3,260)
add: federal funds received by the Turnpike Commission .....	6,083
add: other increase to the Storage Tank Loan Fund .....	1
add: other increase to the Pennsylvania Minority Business Development Authority .....	1,400
less: other decrease to the Hiram G. Andrews Center .....	(7)
Net increase in contributed capital for proprietary fund types—primary government and discretely presented component units .....	\$138,226

# NOTES TO FINANCIAL STATEMENTS

## NOTE I—Retirement and Other Postemployment Benefits (continued)

Employer contribution rates are determined using the entry age normal actuarial cost method, with amortization of the unfunded actuarial liability (\$847 million credit) and of the supplemental annuities arising from cost of living and other adjustments over varying periods ending June 30, 2013. These rates are computed on a Commonwealth fiscal year basis such that employer contribution rates in effect for the SERS for 1993 reflect a blended average of those in effect through June 30, 1993 and subsequent to that date, as calculated based upon actuarial valuations prepared as of December 31, 1992 and December 31, 1993, respectively. The actuarially determined contribution requirement for the year ended December 31, 1993 consisted of (amounts in thousands):

	% of Current Covered Payroll	Amount
Employer normal cost .....	9.16	\$324,835
Amortization of unfunded actuarial liability (assets) ..	(1.07)	(37,945)
Amortization of supplemental annuities .....	1.01	35,817
Total contribution requirement .....	<u>9.10</u>	<u>\$322,707</u>

Member contributions amounted to \$190 million, or 5.45 percent and employer contributions amounted to \$304 million, or 8.73 percent, of total actual covered payroll of \$3,482 million, for the year ended December 31, 1993. Total employer contributions of \$304 million are less than the above actuarially determined contribution requirement of \$323 million due to employer contributions related to employee purchases of prior service cost, employer contributions related to the transfer of prior employee service from the Public School Employees' Retirement System to the SERS, a return of certain employer contributions to a participating agency and actual employer contribution rates which were less than those determined by the actuarial valuation. Total employer contributions amounted to \$324 million for the fiscal year ended June 30, 1994, of which \$290 million relates to agencies included in the Commonwealth's financial reporting entity. The Commonwealth employer contributions of \$290 million approximate 89 percent of total employer contributions of \$324 million.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation as described above, except for a rate of return on investments on a scale starting at 9.9 percent in 1993 graded down to 6 percent after 2015.

### THREE-YEAR HISTORICAL TREND INFORMATION

	Year Ended December 31		
	1993	1992	1991
Net assets available for benefits as a percentage of the pension benefit obligation applicable to covered employees .....	115.6%	111.7%	114.1%
Assets in excess of pension benefit obligation as a percentage of the SERS's annual covered payroll .....	52.1	38.9	47.3
Employer contributions to the pension plan as a percentage of annual covered payroll ...	8.6	9.5	12.2

All required contributions were made, in accordance with actuarially determined requirements, for each of the three years ended December 31, 1993, 1992 and 1991.

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

# NOTES TO FINANCIAL STATEMENTS

## NOTE I—Retirement and Other Postemployment Benefits (continued)

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

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

The accumulated plan benefit information as of December 31, 1993 is as follows (expressed in thousands):

Actuarial present value of accumulated plan benefits:	
Vested benefits:	
Participants currently receiving payments .....	\$ 5,080,835
Other participants .....	5,364,864
	<u>10,445,699</u>
Nonvested benefits .....	185,728
Total .....	<u>\$10,631,427</u>

Changes in accumulated plan benefits as of December 31, 1993 are as follows (expressed in thousands):

Actuarial present value of accumulated plan benefits at December 31, 1992 .....	\$12,260,585
Changes during the year attributable to:	
Passage of time .....	614,121
Change in interest rate assumptions .....	(2,243,279)
Net decrease .....	<u>(1,629,158)</u>
Actuarial present value of accumulated plan benefits at December 31, 1993 .....	<u>\$10,631,427</u>

The significant actuarial assumptions used in the valuation of the actuarial present value of accumulated plan benefits as of December 31, 1993 are as follows:

Mortality	
Superannuation (normal retirement) and early retirement .....	The 1971 Group Annuity Mortality Table
Disability .....	Modifications of the Federal Civil Service Disability Mortality Table
Assumed rate of return on investments .....	7.75%

## PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

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

Membership in the System is mandatory for substantially all full-time public school employees in the Commonwealth. Certain part-time employees are eligible for membership in the System. At June 30, 1994 there were 634 reporting units, generally school districts. Membership as of June 30, 1993, the most recent year for which actual amounts are available, consisted of:

Retirees and beneficiaries currently receiving benefits .....	113,000
Inactive members and vestees entitled to, but not yet receiving benefits .....	33,000
	<u>146,000</u>
Current employees:	
Vested .....	117,000
Nonvested .....	81,000
	<u>198,000</u>
Total members .....	<u>344,000</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE I—Retirement and Other Postemployment Benefits (continued)

During the fiscal year ended June 30, 1994 the covered payroll for public school employes was \$6,856 million. Total payroll for public school employes was substantially the same. The annualized covered payroll at June 30, 1993, the date of the most recent actuarial valuation, was \$6,766 million.

**Benefits:** Significant amendments to the System were made in the 1975 revision of the Pennsylvania Public School Employees' Retirement Code ("The Code") by the Pennsylvania General Assembly. Under the provisions of the Code, members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one full year of service, (b) age 60 with 30 or more years of service, or (c) 35 or more years of service regardless of age. On April 29, 1994 Act 29 was signed into law which, among other items, permitted school employes with at least 30 years of credited service to retire without a reduction in benefits until June 30, 1997. This so-called "early retirement window" does not require a minimum age in conjunction with length of service for a member to be eligible for full benefits.

On December 21, 1992, an early retirement incentive act, commonly known as the "Mellow Bill" (Act 186 of 1992), provided an additional 10 percent of service credit to a member who meets the following criteria: (1) is at least 55 years of age or older as of August 31, 1993, (2) has at least 10 years of credited service with the System, (3) was not an annuitant as of July 1, 1992, (4) terminates service between July 1, 1992 and August 31, 1993, inclusive, (5) declares intent to retire with their school employer prior to April 1, 1993, and (6) files an application for retirement prior to September 1, 1993. In addition, Act 29 allowed members who terminated service between May 15, 1992 and July 1, 1992 to be eligible for the 10 percent additional service offered by the Mellow Bill. Through June 30, 1994 the impact of the Mellow Bill resulted in approximately 13,000 members electing early retirement. As of June 30, 1993 the System recorded a benefit accrual of approximately \$200 million for the refund of contributions and interest of annuitants who elected to retire under the Mellow Bill.

Benefits are generally equal to 2 percent of the member's final average salary (as defined) multiplied by the number of years of credited service. After completion of 10 years of service, a member's right to the defined benefit is vested and early retirement benefits may be elected. Under certain features of the System, active members may purchase credit for types of prior educational or military service on a lump-sum or installment purchase basis.

In addition to regular retirement benefits, the System also provides for disability retirement benefits and death benefits. Participants are eligible for disability retirement benefits after completion of 5 years of eligible service. Such benefits are equal to 2 percent of the member's final average salary (as defined) multiplied by the number of years of credited service, but not less than one-third of such salary (unless the participant would have less than 16.667 years of credited service had the participant worked until superannuation age, in which case the participant receives two percent of final average salary times the number of years service that would have been credited had the participant worked until superannuation age), nor greater than the benefit the member would have had at superannuation retirement age.

Death benefits are payable upon the death of an active member who has reached age 62 or who has at least 10 years of eligible service. Such benefits are actuarially equivalent to the benefit which would have been effective if the member had retired on the day before death.

Members with credited service in the State Employees' Retirement System may elect to transfer such service to the Public School Employees' Retirement System upon commencement of employment in the public school system. Similarly, a member with credited service in the System may transfer such service to the State Employees' Retirement System upon becoming a member of that system.

Upon termination of a member's employment in the public school sector, the member's accumulated contributions plus interest are refundable from the Members' Savings Account.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE I—Retirement and Other Postemployment Benefits (continued)

A health insurance premium assistance program was established effective July 1, 1991 for all eligible annuitants, as defined in the Code, who elect to participate. Under this provision, an employer contribution rate for premium assistance was established for the fiscal year that began July 1, 1991 in order to provide reserves in the Health Insurance Account as of June 30, 1992. Effective July 1, 1992, participating eligible annuitants received premium assistance payments equal to the lesser of \$55 per month, or the actual monthly premium.

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

The pension benefit obligation was determined as part of an actuarial valuation at June 30, 1993, the date of the most recent actuarial report. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.50 percent per year compounded annually, (b) projected salary increases of 6.75 percent, including an allowance for inflation of 4 percent, national productivity of 1 percent and merit or seniority increases averaging 1.75 percent, and (c) no postretirement benefit increases.

At June 30, 1993 the unfunded pension benefit obligation was \$2,145 million as follows (expressed in thousands):

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving benefits .....	\$ 8,787,295
Health care payments .....	45,529
Current members:	
Accumulated member contributions with interest....	3,920,923
System-financed vested .....	3,566,155
System-financed nonvested .....	<u>7,544,207</u>
Total pension benefit obligation .....	23,864,109
Net assets available for benefits, at cost (market value is \$24,399,294) .....	<u>21,719,065</u>
Unfunded pension benefit obligation .....	<u>\$ 2,145,044</u>

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

# NOTES TO FINANCIAL STATEMENTS

## NOTE I—Retirement and Other Postemployment Benefits (continued)

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

Effective July 1, 1993 the combined contribution rate was decreased from 14.24 to 13.17 percent of covered payroll. This rate is comprised of a pension contribution rate of 12.92 percent for pension benefits plus a health care contribution rate of .25 percent for health insurance premium assistance. The components of this contribution rate, and the related amounts, are summarized as follows (amounts in thousands):

	<u>% of Current Covered Payroll</u>	<u>Amount</u>
Employer normal cost .....	7.34	\$ 516,579
Amortization of unfunded actuarial accrued liability ..	3.74	263,216
Amortization of supplemental annuities .....	1.84	129,497
Health care contribution rate .....	.25	17,527
Total contribution requirement .....	13.17	\$ 926,819

The employer and the Commonwealth equally share the cost of required contributions and all required contributions were made. For the fiscal year ended June 30, 1994 Commonwealth school districts contributed \$465 million and the Commonwealth contributed \$462 million to the System. The Commonwealth contribution approximates 6.6 percent of current covered payroll. Employee contributions of \$404 million approximate 6.0 percent of covered payroll of \$6,766 million for the year ended June 30, 1993, the most recent year for which actual amounts are available.

Based on the June 30, 1993 valuation, the unfunded actuarial liability is \$3,303 million and the average funding period to amortize this liability is 20 years at July 1, 1991. Changes in the unfunded liability subsequent to July 1, 1991 are amortized over a period of 20 years from July 1 of the fiscal year following the change, with payments increasing 5 percent annually.

During the fiscal year ended June 30, 1994 the System owned no securities issued by school districts, the Commonwealth or any related parties and made no loans to school districts, the Commonwealth or any related party.

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE I—Retirement and Other Postemployment Benefits (continued)**

#### **OTHER POSTEMPLOYMENT BENEFITS**

The Commonwealth provides certain health care benefits for retired employees that meet specified length-of-service and age requirements. These benefits are provided as a result of negotiated union contracts and through administrative policy. The Commonwealth recognizes the cost of providing these benefits as paid, which totalled \$125 million for the fiscal year ended June 30, 1994. Approximately 51,000 individuals qualified for this benefit during the fiscal year.

The Commonwealth also provides a variety of other postemployment benefits, including disability life insurance and certain benefits to beneficiaries of the state police officers killed in the line of duty. The amount expended on these benefits was not material during the fiscal year ended June 30, 1994.

# NOTES TO FINANCIAL STATEMENTS

## NOTE J—NOTES AND DEMAND REVENUE BONDS PAYABLE

### Primary Government

During the fiscal year ended June 30, 1994 the Commonwealth issued \$400 million of tax anticipation notes which matured on June 30, 1994. The \$9 million of interest related to the notes is shown as a debt service expenditure in the General Fund.

The State Stores Fund, an Enterprise Fund, has \$713 thousand of notes payable as of June 30, 1994 collateralized by investments held with the Treasury. The notes bear interest rates of 5.38 to 6.66 percent. The Purchasing Fund, an Internal Service Fund, has \$4 million of notes payable at June 30, 1994, bearing interest at 6.6 percent.

### Discretely Presented Component Units

The State Public School Building Authority (SPSBA), a Governmental Fund Component Unit, entered into the Treasury Initiative for Education (TIE) Program with the Pennsylvania Treasury Department (Treasury). The SPSBA issued a \$75 million note which was purchased by the Treasury. The proceeds of this note were deposited by the SPSBA with the Treasury, which will invest the proceeds in a manner acceptable to both parties. The note has an initial term of two years which is renewable on an annual basis for a term not to exceed three years. Interest is payable at a percentage rate which will be the lesser of the rate of interest payable from 90 day Treasury Bills plus 20 basis points or the rate used by the Treasury Short Term Investment Pool. The note is collateralized by investments the SPSBA has made with the Treasury. The SPSBA agrees to make \$25 million available for loans to school districts and \$50 million available for reinvestment by the Treasury at the time loans are made to the school districts. At June 30, 1994 one loan had been made through the TIE Program for \$11.7 million. The outstanding balance of the note payable at this time was \$67 million.

The Pennsylvania Higher Education Assistance Agency (PHEAA), a Proprietary Fund Component Unit, has \$310.0 million of demand revenue bonds outstanding and \$399.6 million of notes payable consisting of student loan financing of \$372.3 million and capital financing arrangements of \$27.3 million at June 30, 1994. Demand revenue bonds at June 30, 1994 consist of the following (expressed in thousands):

	Student Loan Adjustable Rate Tender Revenue Bonds 1988 Series B	Student Loan Adjustable Rate Tender Revenue Bonds 1988 Series A	Student Loan Revenue Bonds 1984 Series A
Amount issued .....	\$110,000	\$100,000	\$100,000
Date of issue .....	7/29/88	1/28/88	7/19/84
Interest rate .....	2.35%	2.6%	2.45%
Due date .....	7/1/18	1/1/18	12/1/00
Letter of credit:			
Principal amount .....	\$119,625	\$106,904	\$103,082
Expiration date .....	7/31/95	1/1/95	12/15/00

The 1988 bonds bear interest at an adjustable rate determined by PHEAA's remarketing agent based upon prevailing market conditions and is reset weekly. The 1984 bonds bear interest at a fluctuating rate based on the remarketing rate of the J.J. Kenny Index and is also reset weekly. All bonds are subject to purchase, at par plus accrued interest, by PHEAA on the demand of the bondholders upon seven days prior irrevocable written notice. None of the letters of credit pertaining to PHEAA's demand revenue bonds have been used as of June 30, 1994.



## NOTES TO FINANCIAL STATEMENTS

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

Student loan financing notes payable for PHEAA at June 30, 1994 consist of the following (expressed in thousands):

Line of credit agreement dated November 5, 1992 with interest at 7.25 percent (paid quarterly) and annual principal payments. Principal not to exceed \$16 million .....	\$ 9,500
Amount due under revolving credit agreement dated June 12, 1993, through June 15, 1995. Interest rate at June 30, 1994 was 5.475 percent. Principal not to exceed \$50 million .....	45,200
Note payable, interest at 91 day U.S. Treasury Bill rate plus .9 percent (5.205 percent at June 30, 1994), due February 28, 1997 .....	70,000
Note purchase agreement dated May 1, 1990, amended subsequent to May 1, 1992, and extended through October 31, 1995. It provides for three separate notes known as the 1991 F, G, and H Series. Principal not to exceed \$300 million in the aggregate. Interest is the 91 day Treasury Bill rate plus .5 percent (4.805 percent at June 30, 1994) ...	247,615
Total .....	<u>\$ 372,315</u>

Capital financing arrangements for PHEAA at June 30, 1994 consist of the following (expressed in thousands):

Dauphin County General Authority Revenue Bonds. Interest is a weighted average rate of 6.8 percent and is paid semiannually on March 1 and September 1. Principal is due through 2009 .....	\$ 3,699
Note payable refinanced in October 1992 with interest at 5.54 percent and monthly payments of principal and interest through November 1, 1997.....	10,288
Note payable dated December 31, 1992 with interest at 6.7 percent and semiannual payments of principal and interest through December 31, 2002.....	2,888
Loan security agreement dated April 12, 1994 with interest at 7.25 percent (paid quarterly) and annual principal payments .....	1,534
Amounts due under various installment purchase agreements bearing interest at various rates that average approximately 6.5 percent .....	8,831
Total .....	<u>\$ 27,240</u>

All of PHEAA's capital financing arrangements are collateralized with property, plant and equipment. The aggregate maturities due for each of the five years subsequent to June 30, 1994 and through maturity are as follows:

1995.....	\$ 8,534
1996.....	7,318
1997.....	5,104
1998.....	2,312
1999.....	692
Thereafter .....	<u>3,280</u>
Total .....	<u>\$ 27,240</u>

## NOTES TO FINANCIAL STATEMENTS

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

The Pennsylvania Housing Finance Agency (PHFA), a Proprietary Fund Component Unit, maintains three lines of credit with the Pennsylvania Treasury Department under which they may borrow up to \$20 million, \$15 million, and \$50 million to fund their multi-family housing program. Under the \$20 million line of credit, interest rates are fixed at 2 points below the prime rate from the date of issuance. At June 30, 1994 there is no balance outstanding against the \$20 million line of credit. The \$15 million line of credit bears interest from the date of issuance at a rate equal to the current yield on two year Treasury Notes plus 20 basis points. The \$50 million line of credit bears interest at a fixed rate on the date of a draw equal to the current yield on two year Treasury Notes plus 15 basis points. At June 30, 1994 \$3 million and \$20 million were owed at 4.47 percent and a range of 4.24 percent to 6.13 percent, respectively, against the \$15 million and \$50 million lines of credit. Total reported notes payable at June 30, 1994 for the PHFA is \$23 million.

The Public School Employees' Retirement System owes \$2.3 million under installment purchase arrangements at June 30, 1994.

# NOTES TO FINANCIAL STATEMENTS

## NOTE K—LONG-TERM OBLIGATIONS

Long-term obligations of the Commonwealth's primary government at June 30, 1994 and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Dates Through	Bonds Authorized But Unissued	Balance July 1, 1993	Additions	Reductions	Balance June 30, 1994
<b>GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP</b>								
General Obligation Bonds Payable From								
Tax Revenues:								
Capital Facilities	1968-94	3.00-10.16%	2014	\$14,769,265	\$3,428,000	\$ 308,000	\$ 834,635	\$2,901,365
Disaster Relief	1973-89	4.91- 5.48%	2003	21,908	70,320	.....	19,160	51,160
Land and Water Development	1969-94	3.00- 6.60%	2014	300	194,305	4,000	71,420	126,885
Nursing Home Loan Development	1975-86	5.00- 8.26%	2006	31,000	22,520	.....	4,775	17,745
Project 70 Land Acquisition	1970	6.26%	2000	.....	4,440	.....	510	3,930
Volunteer Companies Loan	1977-94	3.00-10.75%	2014	10,000	15,630	10,000	1,695	23,935
Vietnam Conflict Veterans								
Compensation	1969-74	5.36- 6.11%	2003	3,000	24,485	.....	10,105	14,380
Water Facilities Loan	1983-94	3.00- 8.26%	2014	37,500	133,710	40,000	29,180	144,530
Pennsylvania Economic Revitalization	1984-93	4.00- 6.60%	2013	16,000	99,780	5,000	10,610	94,170
Pennsylvania Infrastructure								
Investment Authority	1988-94	3.00- 6.60%	2014	367,500	206,190	85,000	53,205	237,985
Agricultural Conservation Easement								
Purchase	1991-93	3.50- 6.60%	2013	27,000	47,245	25,000	2,875	69,370
Local Criminal Justice	1992-94	3.00- 6.38%	2014	82,000	71,000	47,000	2,090	115,910
Keystone Recreation, Park and Conservation								
Refunding Bonds	1985-94	3.00- 7.20%	2010	.....	723,313	681,761	106,427	1,298,647
				<u>15,415,473</u>	<u>5,040,938</u>	<u>1,205,761</u>	<u>1,146,687</u>	<u>5,100,012</u>
Other General Long-Term Obligations								
Payable From Tax Revenues:								
Installment Purchase Obligations					30,333	803	25,010	6,126
Capital Lease Obligations					62,381	1,138	1,799	61,720
Obligations Under Master Lease Agreement—Equipment								
Obligations Under Master Lease Agreement—Prison Facilities					130,360	.....	34,940	95,420
Self-Insurance — Note O					.....	762,495	.....	762,495
Compensated Absences—Note C					757,490	175,942	106,750	826,682
Catastrophic Motor Vehicle Losses					390,163	321,649	236,460	475,352
Other					282,656	.....	18,377	264,279
					806,579	315,856	253,391	869,044
					<u>2,459,962</u>	<u>1,577,883</u>	<u>676,727</u>	<u>3,361,118</u>
<b>TOTAL GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP</b>					<u>\$15,415,473</u>	<u>\$7,500,900</u>	<u>\$2,783,644</u>	<u>\$1,823,414</u>
								<u>\$8,461,130</u>

Long-term obligations of the discretely presented component unit organizations at June 30, 1994 (May 31, 1994 for the Pennsylvania Turnpike Commission) and changes for the fiscal year then ended are as follows (expressed in thousands):

### GOVERNMENTAL FUNDS

Bonds Payable From Lease Rentals:

Pennsylvania Higher Educational Facilities Authority								
	1969-94	2.75- 9.75%	2031		\$1,783,609	\$ 346,421	\$ 196,578	\$1,933,452
State Public School Building Authority								
	1986-94	2.60- 7.90%	2024		304,133	36,670	59,910	280,893
<b>TOTAL GOVERNMENTAL FUNDS</b>					<u>\$2,087,742</u>	<u>\$ 383,091</u>	<u>\$ 256,488</u>	<u>\$2,214,345</u>

### PROPRIETARY FUNDS

Revenue Bonds Payable From User Charges:

Pennsylvania Higher Education Assistance Agency								
	1985-92	2.677-11.80%	2026		\$ 848,785	\$ .....	\$ .....	\$ 848,785
Pennsylvania Housing Finance Agency								
	1976-94	2.88-10.875%	2028		2,079,493	536,070	666,610	1,948,953
Pennsylvania Industrial Development Authority								
	1994	4.50- 7.00 %	2014		267,770	354,330	267,770	354,330
Pennsylvania Turnpike Commission								
	1986-94	2.50- 7.875%	2019		1,162,045	115,635	9,405	1,268,275
Pennsylvania Infrastructure Investment Authority								
	1990-93	2.20- 7.05 %	2013		142,010	50,000	625	191,385
					4,500,103	1,056,035	944,410	4,611,728
					77,397	10,015	19,182	68,230
Less: Bond discounts								
<b>TOTAL PROPRIETARY FUNDS</b>					<u>\$4,422,706</u>	<u>\$1,046,020</u>	<u>\$ 925,228</u>	<u>\$4,543,498</u>
<b>TOTAL COMPONENT UNIT LONG-TERM OBLIGATIONS</b>					<u>\$6,510,448</u>	<u>\$1,429,111</u>	<u>\$1,181,716</u>	<u>\$6,757,843</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 Commonwealth uses fiscal agents to process payments for the servicing of the majority of its bond issues. Additional cash with fiscal agents is held by the Federal Government for unemployment compensation claims.

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

Workmen's Compensation Security Trust Claims	\$571,131
Public Utility Realty Tax Act (PURTA)	150,807
Litigation — Note P	64,307
Medical Assistance Cost Settlements	56,290
Appropriation for State Workmen's Insurance Fund	24,104
Arbitrage Rebate Tax	2,405
	<u>\$869,044</u>

The Workmen's Compensation Security Trust Fund provides for payment of valid claims under the Workmen's Compensation Law to individuals whose employments are insured by insolvent insurance carriers. The PURTA provides for a tax on utility realty property which is available for appropriation as a general revenue source. The Act also provides for payment of a tax distribution to local taxing authorities. The Commonwealth is liable for underpayments of medical assistance to nursing homes and inpatient hospitals based upon audits performed on the medical assistance program. The fiscal year 1994-95 General Fund budget includes an appropriation to the State Workmen's Insurance Fund (SWIF) to recover a loss provision for notes receivable reported during SWIF's fiscal year ended December 31, 1992. As disclosed in Note T, the amount was transferred on November 1, 1994. The SWIF has reported the loss recovery during its fiscal year ended December 31, 1993. Amounts included in the General Long-Term Obligations Account Group at June 30, 1994 relating to Workmen's Compensation Claims, PURTA, Litigation, Medical Assistance, Appropriation for SWIF, 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. During 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, 1994 the Commonwealth has reported \$762 million as a liability under prison master lease arrangements and has reported general fixed assets for the new 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 \$28.8 billion as of August 31, 1994, with net debt outstanding of \$3.9 billion.

# NOTES TO FINANCIAL STATEMENTS

## NOTE K —Long-Term Obligations (continued)

### Discretely Presented Component Units

The Pennsylvania Housing Finance Agency (PHFA), the Pennsylvania Higher Education Assistance Agency (PHEAA), the Pennsylvania Industrial Development Authority, and the Pennsylvania Turnpike Commission (PTC), Discretely Presented Proprietary Fund Component Units, have pledged all of their revenues for the redemption of revenue bonds outstanding. Revenue bonds outstanding as reported in this note disclosure for the fiscal year ended June 30, 1994 (May 31, 1994 for the PTC) include bond discounts of \$68.2 million.

The Pennsylvania Higher Educational Facilities Authority and the State Public School Building Authority, Discretely Presented Government Fund Component Units, have bonds outstanding as of June 30, 1994 which are payable from the lease rentals of the projects financed. The lease rentals are pledged as collateral for the bonds outstanding.

### Nonrecourse Debt

The Commonwealth of Pennsylvania by enactment of the General Assembly created the Pennsylvania Energy Development Authority (PEDA) to finance projects related to energy conservation and research. Fees are assessed to recover related processing and application costs incurred. The bonds issued by the Authority represent limited obligations payable solely from payments made by the borrowing entities. The majority of the bonds are secured by the property financed. Upon repayment of a bond, ownership of acquired property transfers from the trustees to the entity served by the bond issuance. The PEDA has \$163.7 million in revenue bonds outstanding at June 30, 1994. The Commonwealth has no obligation for this debt. Accordingly, neither the financed assets nor the bonds are included in the accompanying financial statements.

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, 1994 (May 31, 1994 for the Pennsylvania Turnpike Commission) (expressed in thousands):

	PRIMARY GOVERNMENT					2000 Through Maturity	Total
	1995	1996	1997	1998	1999		
<b>GENERAL OBLIGATION BONDS:</b>							
Capital Facilities .....	\$ 549,474	\$ 436,962	\$ 376,363	\$ 349,445	\$ 314,687	\$2,027,754	\$4,054,685
Disaster Relief .....	8,834	7,185	7,001	6,980	6,961	27,426	64,387
Land and Water Development .....	27,708	25,011	19,162	16,541	14,791	54,392	157,605
Nursing Home Loan Development .....	6,044	3,566	3,514	2,175	2,114	3,941	21,354
Project 70 Land Acquisition .....	775	779	780	778	783	785	4,680
Volunteer Companies Loan .....	3,468	3,402	3,329	2,356	2,267	20,702	35,524
Vietnam Conflict Veterans							
Compensation .....	2,564	2,575	2,578	2,581	2,591	4,539	17,428
Water Facilities Loan .....	19,789	16,996	16,101	13,301	12,443	150,181	228,811
Pennsylvania Economic Revitalization .....	13,062	10,160	9,222	9,061	8,899	100,053	150,457
Pennsylvania Infrastructure							
Investment Authority .....	23,276	23,105	23,004	22,565	22,259	265,993	380,202
Agricultural Conservation Easement							
Purchase .....	6,387	6,335	6,286	6,225	6,171	79,591	110,995
Local Criminal Justice .....	9,636	9,651	9,653	9,659	9,669	138,904	187,172
Refunding Bonds .....	123,760	135,874	152,168	156,685	154,168	1,116,180	1,838,835
Total Principal and Interest .....	794,777	681,601	629,161	598,352	557,803	3,990,441	7,252,135
Less: Interest Payments .....	278,072	246,581	222,646	199,757	177,017	1,028,050	2,152,123
	516,705	435,020	406,515	398,595	380,786	2,962,391	5,100,012
Other General Long-Term Obligations .....	373,730	173,648	165,683	157,399	148,159	2,342,499	3,361,118
<b>TOTAL GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP .....</b>	<b>\$ 890,435</b>	<b>\$ 608,668</b>	<b>\$ 572,198</b>	<b>\$ 555,994</b>	<b>\$ 528,945</b>	<b>\$5,304,890</b>	<b>\$8,461,130</b>
<b>DISCRETELY PRESENTED COMPONENT UNITS</b>							
<b>GOVERNMENTAL FUNDS:</b>							
Other Bonds:							
Pennsylvania Higher Educational							
Facilities Authority .....	\$ 143,165	\$ 144,615	\$ 168,362	\$ 149,863	\$ 197,722	\$2,518,221	\$3,321,948
State Public School Building Authority .....	31,761	30,576	31,179	29,667	29,125	293,187	445,495
Total Principal and Interest .....	174,926	175,191	199,541	179,530	226,847	2,811,408	3,767,443
Less: Interest Payments .....	112,115	109,336	105,712	102,567	98,050	1,025,318	1,553,098
<b>TOTAL GOVERNMENTAL FUNDS .....</b>	<b>\$ 62,811</b>	<b>\$ 65,855</b>	<b>\$ 93,829</b>	<b>\$ 76,963</b>	<b>\$ 128,797</b>	<b>\$1,786,090</b>	<b>\$2,214,345</b>

# NOTES TO FINANCIAL STATEMENTS

## NOTE K --Long-Term Obligations (continued)

	1995	1996	1997	1998	1999	2000 Through Maturity	Total
<b>PROPRIETARY FUNDS:</b>							
Revenue Bonds:							
Pennsylvania Higher Education							
Assistance Agency .....	\$ 53,885	\$ 53,885	\$ 53,885	\$ 53,885	\$ 53,885	\$1,634,750	\$1,904,175
Pennsylvania Housing Finance Agency .....	183,439	163,833	163,828	163,641	163,905	3,268,477	4,107,123
Pennsylvania Industrial Development							
Authority .....	18,672	30,545	32,257	33,723	34,276	437,889	587,362
Pennsylvania Turnpike Commission .....	81,912	94,319	93,551	97,500	97,849	1,947,978	2,413,109
Pennsylvania Infrastructure Investment							
Authority .....	15,342	15,613	15,593	15,324	16,120	202,915	280,907
Total Principal and Interest .....	353,250	358,195	359,114	364,073	366,035	7,492,009	9,292,676
Less: Interest Payments .....	275,419	283,202	278,340	273,649	268,912	3,301,426	4,680,948
<b>TOTAL PROPRIETARY FUNDS .....</b>	<b>77,831</b>	<b>74,993</b>	<b>80,774</b>	<b>90,424</b>	<b>97,123</b>	<b>4,190,583</b>	<b>4,611,728</b>
<b>TOTAL COMPONENT UNITS .....</b>	<b>\$ 140,642</b>	<b>\$ 140,848</b>	<b>\$ 174,603</b>	<b>\$ 167,387</b>	<b>\$ 225,920</b>	<b>\$5,976,673</b>	<b>\$6,826,073</b>

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. The following is a schedule by fiscal year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 1994 (expressed in thousands):

	Primary Government	Discretely Presented Component Units	
	General Long-Term Obligations	Pennsylvania Higher Education Assistance Agency	College and University Funds
Fiscal year ending June 30:			
1995 .....	\$ 7,708	\$ 5,508	\$ 22,253
1996 .....	7,258	5,443	19,435
1997 .....	7,015	5,369	18,571
1998 .....	6,871	5,583	17,618
1999 .....	6,768	5,415	16,590
Later years .....	107,168	73,344	262,401
Total minimum lease payments .....	142,788	100,662	356,868
Less: amount representing estimated executory costs included in total minimum lease payments .....	17,823	.....	.....
Net minimum lease payments .....	124,965	100,662	356,868
Less: amount representing interest .....	63,245	43,825	148,113
<b>TOTAL CAPITAL LEASE OBLIGATIONS .....</b>	<b>\$ 61,720</b>	<b>\$ 56,837</b>	<b>\$ 208,755</b>
<b>INSTALLMENT PURCHASE OBLIGATIONS .....</b>	<b>\$ 6,126</b>		

At June 30, 1994 the State Public School Building Authority, a discretely presented governmental fund component unit, owed \$161 thousand under capital lease obligations.

At June 30, 1994 general fixed assets included \$96.4 million of buildings and \$3.4 million of equipment being procured by capital leases. A total of \$30.6 million in general fixed assets is being procured by vendor-financed installment purchase arrangements.

Capital lease obligations outstanding as of June 30, 1994 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 \$41.1 million of construction in progress related to capital leases at June 30, 1994.

The Commonwealth has entered into two lease arrangements with a trustee for the refinancing of previously existing leases and installment purchase arrangements and for the leasing of new equipment. These arrangements provide that the trustee issue certificates of participation, the proceeds of which allow for immediate payment to Commonwealth equipment vendors. This is not a general or moral obligation of the Commonwealth; under the arrangement, Commonwealth agencies are responsible for securing appropriations to make lease payments to the trustee, over a specified term, sufficient to fund periodic principal and interest payments to the certificate holders. While Commonwealth agencies maintain custody and use of the leased equipment, the trustee holds legal title to the equipment as security for the agency payments. When the certificates are fully funded, legal title vests with the Commonwealth agency. At June 30, 1994, \$95.4 million in general fixed assets is being procured under these master lease arrangements.

# NOTES TO FINANCIAL STATEMENTS

## NOTE L—REFUNDED DEBT

### Primary Government

During the fiscal year ended June 30, 1994 the Commonwealth issued \$395.2 million and \$286.6 million in general obligation bonds, First Series of 1994 and Second Series of 1994, respectively, with average interest rates of 5.21 percent and 5.07 percent. The refunding portion of the First Series of 1994 was issued to advance refund \$352.2 million of previously issued general obligation bonds with an average interest rate of 6.84 percent. The refunding portion of the Second Series of 1994 was issued to advance refund \$58.4 million and current refund \$214.8 million of previously issued general obligation bonds with an average interest rate of 6.56 percent. The net refunding bond proceeds of \$390.4 million and \$284.4 million, respectively, 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 bonds refunded by the First and Second Series' of 1994 are considered to be defeased and have been removed from the General Long-Term Obligations Account Group. The Commonwealth advance refunded its previously issued bonds to reduce debt service payable on its general obligation bonds by \$9.3 million and \$4.5 million, respectively, and to obtain economic gains of \$12.7 million and \$11.5 million.

At June 30, 1994 \$1.1 billion 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, 1994 the State Public School Building Authority (SPSBA) and the Pennsylvania Higher Educational Facilities Authority (PHEFA), discretely presented governmental fund component units, issued revenue bonds to advance refund \$134.6 million of previously issued revenue bonds as follows (expressed in thousands):

Category	PennSAVE Program School Revenue Bonds Series K 1993	University Revenue and Refunding Bonds Series A 1993	Revenue Bonds 1993 Series A Widener University	Revenue Bonds 1993 Series A Thomas Jefferson University
Issuing Authority .....	SPSBA	PHEFA	PHEFA	PHEFA
Bond Type .....	Revenue	Revenue	Revenue	Revenue
Date Issued .....	7-28-93	8-18-93	10-4-93	10-21-93
Refunding Bonds Principal	\$2,500	\$21,531	\$16,440	\$35,955
Interest Rate (Refunding) .	4.74%	5.655%	5.51%	5.155%
Refunded Series .....	School Lease Revenue Bonds Series A 1991	University Revenue Refunding Bonds Series D 1991	Revenue Bonds 1988 Series D	Revenue Bonds 1990 Series Revenue Bonds 1989 Series
Refunded Bonds Principal	\$1,375	\$5,615*	\$8,745	\$17,590/\$11,090
Interest Rate (Refunded) ..	6.91%	6.92%	7.62%	7.54%/7.23%
Payment to Escrow Agent	\$1,513	\$5,792	\$9,852	\$35,311
Debt Service Savings .....	\$94	\$404	\$606	\$1,936
Economic Gain .....	\$64	\$324	\$372	\$2,048

\* — Current refunding.

# NOTES TO FINANCIAL STATEMENTS

## NOTE L—Refunded Debt (continued)

Category	Philadelphia College of Textiles and Science College Revenue Bonds Series of 1993	Philadelphia College of Osteopathic Medicine Revenue Bonds Series of 1993	LaSalle University Revenue Bonds Series of 1994	State System of Higher Education Series K 1994
Issuing Authority .....	PHEFA	PHEFA	PHEFA	PHEFA
Bond Type .....	Revenue	Revenue	Revenue	Revenue
Date Issued .....	11-10-93	12-30-93	3-3-94	3-16-94
Refunding Bonds Principal	\$12,560	\$28,975	\$13,845	\$55,430
Interest Rate (Refunding) .	5.192%	5.44%	4.73%	5.422%
Refunded Series .....	Philadelphia College of Textiles and Science College Revenue Bonds Series of 1987	Osteopathic Medical Center of Philadelphia Variable Rate Demand Revenue Bonds Series A 1988	LaSalle University Revenue Bonds Series of 1986	State System of Higher Education Series E 1991
Refunded Bonds Principal	\$10,910	\$19,800*	\$9,297	\$50,165
Interest Rate (Refunded) ..	7.12%	various	7.57%	6.856%
Payment to Escrow Agent	\$12,110	\$19,906	\$12,849	\$54,336
Debt Service Savings ....	\$318	\$0	\$1,077	\$1,846
Economic Gain .....	\$447	\$0	\$897	\$1,851

\* — Current refunding.

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

The PHEFA and the SPSBA reported advance refundings in their component unit financial statements for the Hermitage School District, the Reading School Authority, the Hospitals and Higher Education Facilities Authority of Philadelphia, and the Northeastern Pennsylvania Hospital and Education Authority, which are not reported in the preceding table. The liability for the refunded debt was removed from their General Long-Term Debt Account Group; however, since neither the PHEFA nor the SPSBA issued any new debt, these were not advance refunding transactions of the PHEFA or the SPSBA. Furthermore, there were no debt service savings nor any economic gain or loss to the PHEFA or the SPSBA.

The PHEFA did refund, using refunding bond proceeds, its Osteopathic Medical Center of Philadelphia, Variable Rate Demand Revenue Bonds, Series A of 1988, and removed the liability for the refunded debt from its General Long-Term Debt Account Group. This refunding, disclosed in PHEFA's component unit financial statements, indicates there were no debt service savings nor economic gain or loss. Therefore, this information is disclosed using zeros in the preceding table.

At June 30, 1994 \$686.6 million of bonds outstanding, that were previously accounted for in their General Long-Term Debt Account Group, have been defeased through advance refundings, for the PHEFA and the SPSBA. Included are \$518 million for the PHEFA and \$168.6 million for the SPSBA.

On May 4, 1994 the Pennsylvania Industrial Development Authority (PIDA), a Discretely Presented Proprietary Fund Component Unit, issued \$354.3 million in Series 1994 Economic Development Revenue Bonds with an average interest rate of 5.7 percent to advance refund \$244.7 million of outstanding 1991 Series bonds with an average interest rate of 6.3 percent and to provide funds for the return of contributed capital to the Commonwealth. Of the net proceeds of \$357.3 million, \$259.6 million (after payment of \$7.3 million in underwriting fees, insurance, and other issuance costs) was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Series bonds. As a result, the 1991 Series bonds are considered to be defeased and the liability for those bonds has been removed from the PIDA's financial statements. The advance refunding resulted in the recognition of an accounting loss of \$12.7 million. Neither the debt service savings nor the economic gain were material.



## NOTES TO FINANCIAL STATEMENTS

### NOTE M—RECONCILIATION OF BUDGETARY AND GAAP BASIS AMOUNTS

The Commonwealth adopts formal annual budgets for the General and three Special Revenue Funds (Motor License, State Lottery and Workmen's Compensation Administration). The Combined Statement of Revenues, Expenditures, and Changes in Unreserved/Undesignated Fund Balances—Budget and Actual (Budgetary Basis)—presents comparisons of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from GAAP primarily by the omission of certain revenue and expenditure accruals.

The beginning unreserved/undesignated fund balance for the General Fund has been restated to account for an amendment made to the annual budget subsequent to the fiscal year ended June 30, 1993. The restatement is summarized as follows (expressed in thousands):

	General Fund
Unreserved/undesignated Fund Balance, Budgetary Basis, June 30, 1993, as previously reported .....	\$ 218,033
Adjusted for increased spending authority .....	<u>(3,118)</u>
Unreserved/Undesignated Fund Balance, Budgetary Basis, July 1, 1993, as restated .....	<u>\$ 214,915</u>

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

	General Fund	Special Revenue Funds
<b>BUDGETED FUNDS:</b>		
Budgetary basis — revenues and other sources over expenditures .....	\$ 87,260	\$ 27,780
Adjustments:		
To adjust revenues, other financing sources and related receivables and deferred revenue .....	(268,778)	1,202,600
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities .....	(1,350,950)	(1,421,312)
To adjust encumbrances .....	1,711,823	278,461
Net adjustments .....	<u>92,095</u>	<u>59,749</u>
<b>NONBUDGETED FUNDS:</b>		
GAAP basis — revenues and other sources over expenditures and other uses .....	<u>.....</u>	<u>90,431</u>
<b>TOTAL ALL FUNDS:</b>		
GAAP basis — revenues and other sources over expenditures and other uses .....	<u>\$ 179,355</u>	<u>\$ 177,960</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE N — SEGMENT INFORMATION

The Commonwealth's Primary Government has seven major Enterprise Funds which provide for a variety of loan programs to business and government organizations, workmen's compensation insurance services, liquor sales and capital development loans. Component Unit Proprietary Funds comprise five organizations which provide for a limited access highway system, industrial development loans, low-cost housing, student loans and scholarships and local government capital development loans.

#### PRIMARY GOVERNMENT Enterprise Funds

	Sunny Day	Capital Loan	State Workmen's Insurance Fund (Dec. 31, 1993)	State Stores Fund (June 28, 1994)	Volunteer Company Loan	Minority Business Development Loan	Machinery and Equipment Loan	Other Enterprise Funds	Total Enterprise Funds
Operating revenues .....	\$ 10,506	\$ 2,530	\$ 530,786	\$ 678,445	\$ 1,318	\$ 470	\$ 956	\$ 17,229	\$ 1,242,240
Depreciation .....	....	....	1,108	5,172	....	....	....	629	6,909
Operating income (loss) .....	(3,778)	2,414	108,952	53,250	947	(3,531)	(1,218)	1,559	158,595
Operating transfers out .....	....	....	....	48,105	....	....	....	....	48,105
Net income (loss) .....	(3,778)	2,414	108,952	7,149	947	(3,531)	(1,218)	2,744	113,679
Increases in contributed capital .....	....	980	....	....	9,835	1,400	7,800	1,501	21,516
Decreases in contributed capital .....	....	....	....	....	....	....	....	7	7
Acquisition and construction of capital assets .....	....	....	1,196	1,546	....	....	....	700	3,442
Net increase (decrease) in cash .....	(35)	(117)	(779)	(215)	(36)	13	27	(5)	(1,147)
Total assets .....	116,682	59,181	1,425,495	183,729	68,566	15,108	30,878	37,004	1,936,643
Bonds and other long-term liabilities payable from operating revenues .....	....	....	1,198,244	713	....	....	....	....	1,198,957
Total fund equity .....	116,586	59,179	117,700	25,030	68,530	14,223	30,870	31,876	463,994

#### DISCRETELY PRESENTED COMPONENT UNITS Proprietary Funds

	Pennsylvania Turnpike Commission (May 31, 1994)	Pennsylvania Industrial Development Authority	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	Total Proprietary Funds
Operating revenues .....	\$ 290,509	\$ 29,802	\$ 194,025	\$ 394,241	\$ 15,994	\$ 924,571
Depreciation .....	134,851	....	309	7,773	31	142,964
Operating income (loss) .....	12,743	6,723	17,629	(219,850)	1,717	(181,038)
Operating transfers from primary government .....	....	....	19,500	234,628	....	254,128
Extraordinary loss on early extinguishment of debt .....	....	12,728	23,134	....	....	35,862
Net income (loss) .....	21,452	(6,005)	13,995	19,109	1,717	50,268
Increases in contributed capital .....	6,083	70,000	....	....	137,284	213,367
Decreases in contributed capital .....	....	93,390	....	....	3,260	96,650
Acquisition and construction of capital assets .....	217,906	....	1,519	18,361	3	237,789
Net increase (decrease) in cash .....	29,551	(34)	(3,020)	5,717	1,644	33,858
Total assets .....	2,417,751	708,550	2,486,050	1,983,100	925,921	8,521,372
Bonds and other long-term liabilities payable from operating revenues .....	1,218,152	357,328	1,950,848	1,305,177	191,385	5,022,890
Total fund equity .....	1,096,258	346,728	331,035	261,896	693,264	2,729,181

## NOTES TO FINANCIAL STATEMENTS

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### NOTE O—SELF-INSURANCE

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Effective July 1, 1983 the Commonwealth became self-insured for losses occurring after June 30, 1983 for all statutory workers' compensation and medical payments to its employees injured on the job. The Commonwealth is also self-insured for tort liability claims. Major tort self-insurance areas include automobile, general tort, employe and transportation-related liability claims. Tort liabilities were determined as of June 30, 1994 based on reserves computed from the Commonwealth's claim experience.

At June 30, 1994 the following amounts are reported in the General Fund and Motor License Fund, a Special Revenue Fund, as accrued liabilities representing the estimate of payments to be made from currently expendable available financial resources for accidents occurring through June 30, 1994 (expressed in thousands):

<i>General Fund</i>	
Employe disability .....	\$ 92,880
Employe .....	7,743
Automobile .....	2,958
General tort .....	1,879
Total .....	<u>\$105,460</u>
<i>Motor License Fund</i>	
Transportation-related .....	<u>\$ 17,546</u>

The portion of Commonwealth self-insurance liabilities that will not be liquidated with currently expendable, available financial resources at June 30, 1994 is reported in the General Long-Term Obligations Account Group as follows (expressed in thousands):

Employe disability .....	\$558,398
Transportation-related .....	218,000
General tort .....	31,330
Employe .....	10,067
Automobile .....	8,887
Total .....	<u>\$826,682</u>

# NOTES TO FINANCIAL STATEMENTS

## NOTE P—COMMITMENTS AND CONTINGENCIES

**Construction and Other Commitments:** At June 30, 1994 the Department of Transportation and the Pennsylvania Turnpike Commission, a discretely presented component unit, have contractual commitments of approximately \$1,152 million and \$144 million, respectively, for various highway construction and mass transit projects. Financing for these future expenditures will be primarily from approved federal grants and general obligation bond sales. In addition, the Commonwealth has certain contractual commitments for future purchases of various goods and services approximating \$5.9 billion at June 30, 1994. These commitments are contingent upon the availability of financial resources.

At June 30, 1994 the following discretely presented component units had approved loans that had not been disbursed (amounts in millions):

Pennsylvania Infrastructure Investment Authority .....	\$456
Pennsylvania Industrial Development Authority .....	156
Pennsylvania Housing Finance Agency .....	118

**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, 1994 were as follows (expressed in thousands):

Fiscal year ending June 30:	
1995 .....	\$ 187,365
1996 .....	91,457
1997 .....	73,670
1998 .....	59,599
1999 .....	73,237
Later years .....	213,238
Total Minimum Lease Payments .....	<u>\$ 698,566</u>

Rental expenditures/expenses for all operating leases for the fiscal year ended June 30, 1994 amounted to \$215 million.

**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, 1994 with respect to torts as described in Note O and as follows with respect to other matters of litigation for which the likelihood of an unfavorable outcome is probable (expressed in thousands):

General Fund .....	\$ 3,913
Motor License Fund .....	6,250
Surface Mining Conservation and Reclamation Fund .....	200
Capital Facilities Fund .....	236
Other General Long-Term Obligations .....	64,307

Additionally, the Commonwealth has been involved over the past several years in certain legal proceedings relative to bank taxes which continues into the present year. The Commonwealth is vigorously contesting these cases, but if unsuccessful, the Commonwealth could be required to make settlements from the General Fund of approximately \$1.4 billion for bank taxes. Other cases that the Commonwealth is currently vigorously contesting could range from approximately \$57 to \$204 million, \$11 to \$56 million, and \$1 to \$28 million of additional liabilities for the General Fund, Special Revenue Funds and Capital Projects Funds, respectively.

Discretely presented component units of the Commonwealth are vigorously contesting cases which could range from zero to approximately \$2 million, \$9 million and \$3 million of additional liabilities for the College and University Funds, Proprietary Funds and a Fiduciary Fund, respectively, and could result in approximately \$3 million of additional liabilities for Governmental 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE P—Commitments and Contingencies (continued)

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**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 \$2 to \$127 million. The Commonwealth's management believes ultimate disallowances and sanctions, if any, will not have a material effect on the general purpose financial statements.

At June 30, 1994 the Commonwealth had custody of \$468 million in Federal Food Stamps. These food stamps will be distributed to eligible recipients in accordance with Federal regulations.

**Student Loan Guarantees:** The Pennsylvania Higher Education Assistance Agency (PHEAA), a Discretely Presented Proprietary Fund Component Unit, guarantees loans made by private lenders to certain resident students. Total outstanding guarantees issued by PHEAA approximated \$9.0 billion at June 30, 1994. 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, and default claims paid to lenders. Pursuant to this agreement, PHEAA receives reimbursement of claims paid to lenders, provided that there is compliance with various federal requirements. Reinsurance rates vary from 80 percent to 100 percent (78 percent to 98 percent for loans originated on or after October 1, 1993) depending upon default rates in the portfolio guaranteed by PHEAA. During the year ended June 30, 1994, PHEAA's default rate was in a range that permitted the maximum reinsurance reimbursement from the Department.

**Other Contingency:** The State Lottery Fund, a Special Revenue Fund, has entered into agreements with insurance companies under which the Lottery purchases annuities under group contracts which provide payments corresponding to the State Lottery Fund's obligation to prize winners. The Commonwealth would be liable for such future payments if the insurance companies would default on their payment. In the event of default, the Commonwealth would have to fund future prize payments amounting to \$2.2 billion, discounted at an interest rate of 7.7 percent to a net present value of \$1.2 billion at June 30, 1994.

## NOTES TO FINANCIAL STATEMENTS

### NOTE Q—MEDICAL PROFESSIONAL LIABILITY CATASTROPHE LOSS FUND

The Medical Professional Liability Catastrophe Loss Fund, an Agency Fund, acts primarily as an agent to facilitate the payment of claims covering excess liability of health care providers practicing in the Commonwealth. The Fund levies surcharges to health care providers to pay settled claims and administrative expenses paid on behalf of health care providers during the prior year. The actuarially computed liability to the health care providers for claims outstanding at June 30, 1994 totals \$2,037.1 million (\$1,660.7 million at present value based on the expected payment pattern and an assumed long-term interest rate of 4 percent). At June 30, 1994 \$104.3 million is payable with expendable available financial resources and is reported as a fund liability. The remaining claims will be funded exclusively through assessments to health care providers in future years as claims are settled and paid and, therefore, do not represent liabilities of the Commonwealth. The following is a summary of the increases and decreases of the Fund's assets for the year ended June 30, 1994 (expressed in thousands):

Fund assets, July 1, 1993 .....	\$115,836
Surcharges to health care providers.....	165,229
Investment earnings.....	3,911
Payments to claimants.....	(164,849)
Administrative costs .....	(7,991)
Fund assets, June 30, 1994 .....	<u>\$112,136</u>

### NOTE R—DEFERRED COMPENSATION

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is administered by the State Employees' Retirement System, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

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

Of the \$171 million in assets (at market value) reported in the Deferred Compensation Fund, an Agency Fund, at December 31, 1993, \$168 million relates to primary government employees and \$2 million relates to employees of discretely presented component units. The remaining balance of \$1 million relates to organizations not included in the Commonwealth's financial reporting entity.

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE S--JOINT VENTURE**

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The Commonwealth, through its Office of Administration, and various labor unions representing Commonwealth employees participate in a joint venture, the Pennsylvania Employes Benefit Trust Fund (PEBTF). The PEBTF establishes and provides health and welfare 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. Contribution rates and/or amounts are established by collective bargaining agreements and administrative policies. During the fiscal year ended June 30, 1994, the Commonwealth paid PEBTF over \$400 million in contributions to fund benefits. Neither the Commonwealth nor the unions have an equity interest in the PEBTF. At June 30, 1994, the PEBTF reported total assets of \$156 million, total liabilities and benefit obligations of \$61 million, and net assets available for benefits of \$95 million. During the fiscal year, net assets available for benefits decreased by \$28 million. The financial status of the PEBTF is monitored on an ongoing basis; financial stress is not evident. Contractual agreements between PEBTF and third-party service providers require escrow and advance accounts to be maintained. As of June 30, 1994 the Commonwealth has funded almost \$15 million toward the maintenance of the balances in these accounts. In addition, the Commonwealth must maintain \$15 million in a special account to meet short-term cash needs of the PEBTF for annuitant benefit payments. Any amounts drawn by the PEBTF must be repaid to the Commonwealth. No borrowings were made during the fiscal year.

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

Brian Kilty  
Pennsylvania Employes Benefit Trust Fund  
150 South 43rd Street  
Harrisburg, Pennsylvania 17111

# NOTES TO FINANCIAL STATEMENTS

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## NOTE T—SUBSEQUENT EVENTS

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### Primary Government

On August 15, 1994 MA-GO Leasing Corporation of Pennsylvania issued \$48.9 million of Certificates of Participation, with interest rates ranging from 4.2 percent to 5 percent, to finance the leasing of certain equipment by the Commonwealth pursuant to a Third Equipment Lease-Purchase Agreement dated August 1, 1994.

On October 20, 1994 the Commonwealth issued \$600 million in Tax Anticipation Notes, First Series of 1994-95. The notes are payable from and secured by the pledges of revenues to be received in the General Fund during the fiscal year ended June 30, 1995. These obligations are due and payable no later than June 30, 1995.

On November 1, 1994 the General Fund transferred \$24.1 million to the State Workmen's Insurance Fund (SWIF). The SWIF has reported this transfer as a recovery, during its fiscal year ended December 31, 1993 of a loss provision reported by SWIF during its fiscal year ended December 31, 1992. The amount transferred, made through an appropriation included in the 1994-95 General Fund budget, is reported in the General Long-Term Obligations Account Group at June 30, 1994 and is disclosed in Note K.

On November 4, 1994 the Nursing Home Loan Fund (NHLF), a Special Revenue Fund, sold all loans receivable for approximately one-half of the amounts contractually owed. The sale occurred as a result of an Executive Order issued by the Governor and a resolution passed by the NHLF Board. The NHLF has fulfilled its statutory purpose and, by selling the portfolio, the Commonwealth is able to fund several new low income housing initiatives. Of the proceeds realized from the sale, amounting to \$11.6 million, \$7 million were transferred to the Pennsylvania Housing Finance Agency, a discretely presented component unit proprietary fund type, \$3.3 million were transferred to the General Fund and the balance is being retained by the NHLF. These transfers were made in accordance with specific legislation included in both the 1993-94 and 1994-95 fiscal year budgets. As of June 30, 1994 the loans receivable balance was reduced to the amount received.

On November 15, 1994 the Commonwealth issued \$290.6 million of general obligation bonds, Third Series of 1994 with interest rates ranging from 5.5 percent to 6.75 percent. \$278 million of the bond proceeds will be used for the construction and acquisition of capital facilities projects, the purchase of agricultural conservation easements, the expansion and construction of county and multicounty regional prison facilities, and recreational park and conservation projects. \$12.6 million of the bond proceeds will refund a portion of Commonwealth of Pennsylvania General Obligation Bonds, Third Series of 1985 and First Series A of 1987.

In September, 1994 the Internal Revenue Service requested permission to review documents related to the July 1, 1993 certificates of participation, in the amount of \$762 million, referred to in Note K, which were issued to refund the bonds of five local government authorities which were issued to finance the construction of new prison facilities. The Commonwealth provided the requested information. The Internal Revenue Service has neither requested additional information nor provided a purpose or status of its inquiry.

### Discretely Presented Component Units

On July 1, 1994 the Pennsylvania Housing Finance Agency (PHFA), a Proprietary Fund Component Unit, redeemed prior to maturity \$5.2 million of Multi-Family Residential Development Bonds Issue P. An extraordinary loss of \$85 thousand resulted from the redemption.

On July 14, 1994 the PHFA's Board of Directors approved the issuance of \$40 million Single Family Mortgage Revenue Bonds, Series 1994-42. The proceeds of these bonds will be used to partially redeem the PHFA's Single Family Series X Bonds and to fund the purchase of new Single Family Mortgage Loans.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE T—Subsequent Events (continued)

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On August 30, 1994 the PHFA issued \$50 million Single Family Mortgage Revenue Bonds, Series 1994-41. The proceeds of these bonds will be used to partially redeem the PHFA's Single Family Series H and X Bonds, to pay maturing principal on the PHFA's Single Family Series H, J, K, L, N, O through Z, 1990-27 through 1991-31, 1992-33, and 1992-34 Bonds, and to fund the purchase of new Single Family Mortgage Loans.

On August 30, 1994 the PHFA redeemed prior to maturity \$15.4 million of Single Family Mortgage Revenue Bonds, Series H and X. An extraordinary loss of \$418 thousand resulted from the redemptions.

On October 3, 1994 the PHFA redeemed prior to maturity \$2.1 million of Single Family Mortgage Revenue Bonds, Series N and O. An extraordinary loss of \$47 thousand resulted from the redemptions.

On July 14, 1994 the Pennsylvania Higher Educational Facilities Authority (PHEFA), a Governmental Funds Component Unit, issued \$45.9 million in Series L tax-exempt Revenue Bonds to provide funds to undertake various capital projects at universities within the State System of Higher Education (SSHE). In connection with the bond issuance, SSHE has entered into a loan agreement with the PHEFA, and has pledged its full faith and credit for the repayment of the bonds.

On August 31, 1994 the Pennsylvania Higher Education Assistance Agency (PHEAA), a Proprietary Fund Component Unit, remarketed \$75 million Student Loan Adjustable Rate Tender Revenue Bonds 1988 Series C and \$36 million Student Loan Adjustable Rate Tender Revenue Bonds 1988 Series E. As a result, the interest rates are now reset weekly by the remarketing agent on the basis of prevailing market conditions. The rate at August 31, 1994 was 3.15 percent. In connection with the remarketing, these issues became public issues rather than private placements.

On September 21, 1994 the PHEAA borrowed \$200 million at the 91 day Treasury Bill rate plus 0.65 percent. On September 23, 1994 the \$50 million revolving credit agreement was renegotiated and the principal now may not exceed \$60 million. On September 28, 1994 the PHEAA purchased \$240 million of student loans.

During July, 1994 the Pennsylvania Infrastructure Investment Authority, a Proprietary Fund Component Unit, issued \$35 million of revenue bonds to provide additional financing for loans. The bonds bear interest at 3.5 percent through February 1, 1995, after which they will be remarketed weekly at variable interest rates. Based upon loan agreements and indenture requirements, the bonds will ultimately revert to fixed rates and will mature at various dates through September 1, 2014.

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

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

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

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

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

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

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

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

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

**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.

**Other** — to account for programs related to conservation and protection of natural resources, the preservation of historical landmarks, administrative and regulatory activities of various departmental programs, and other miscellaneous Commonwealth activities. This other category includes thirty-five individual special revenue funds.

There are a total of forty-five special revenue funds.

**COMBINING BALANCE SHEET**  
**Special Revenue Funds**

June 30, 1994

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

Budgeted Funds

	State Lottery	Motor License	Workmen's Compensation Administration	Public Transportation Assistance	Pharmaceutical Assistance	Water Facilities Loan	Pennsylvania Economic Revitalization	Hazardous Sites Cleanup	Fish and Game	Recycling	Other	Total
<b>ASSETS</b>												
Cash	\$ 29	\$ 26,866	\$ 61	\$ 70	\$ 206	\$ 1,090	\$ 79	\$ 41	\$ 651	\$ 19	\$ 636	\$ 28,658
Temporary investments	139,395	443,292	22,675	3,029	10,310		9,002	101,553	70,640	66,923	186,451	1,054,360
Long-term investments	8,797											8,797
Receivables, net:												
Taxes		121,031		18,063								139,094
Accounts	9,897		47								7,379	17,323
Accrued interest	487	1,138	78	63	23	232	89	332	263	232	684	3,621
Loans						27,905	35,568			330	18,637	82,440
Other	136	6,500										6,636
Due from other funds		3,066	2	1,977	23		45,516	20,600	963	1	14,107	86,255
Due from component units		2,608										2,608
Due from other governments	6,359	104,168							5,029		15,933	131,497
<b>TOTAL ASSETS</b>	\$ 165,100	\$ 708,669	\$ 22,863	\$ 23,202	\$ 10,562	\$ 29,227	\$ 90,254	\$ 122,534	\$ 77,546	\$ 67,505	\$ 243,827	\$ 1,561,289
<b>LIABILITIES AND FUND BALANCES</b>												
Liabilities:												
Accounts payable and accrued liabilities	\$ 178,031	\$ 313,730	\$ 2,745	\$ 2,265	\$ 16,438	\$ 232	\$ 1,695	\$ 3,244	\$ 6,630	\$ 2,101	\$ 32,179	\$ 559,058
Tax refunds payable		807										807
Due to other funds	322	17,829	511	402	10	232	217	217	1,365		13,608	34,713
Due to component units		5,395										5,395
Due to other governments	6,219	11,937	52		2		2,897	11	267	4,473	1,092	26,950
Deferred revenue	2,543	152							2,046		15,438	20,179
Advances from other funds		2,175										2,175
<b>TOTAL LIABILITIES</b>	187,115	352,025	3,308	2,667	16,450	232	4,809	3,472	10,308	6,574	62,317	649,277
Fund Balance:												
Reserved for:												
Encumbrances	127	157,399	61	426			33,084	1,795	4,196	953	31,719	229,760
Loans receivable						27,905	35,568			330	18,637	82,440
Long-term investments	8,797											8,797
Other	136											136
Unreserved:												
Designated for:												
Highways		111,572					16,793					111,572
Other									1,921		36,275	54,989
Undesignated (deficit)	(31,075)	87,673	19,494	20,109	(5,888)	1,090		117,267	61,121	59,648	94,879	424,318
<b>TOTAL FUND BALANCES (DEFICIT)</b>	(22,015)	356,644	19,555	20,535	(5,888)	28,995	85,445	119,062	67,238	60,931	181,510	912,012
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ 165,100	\$ 708,669	\$ 22,863	\$ 23,202	\$ 10,562	\$ 29,227	\$ 90,254	\$ 122,534	\$ 77,546	\$ 67,505	\$ 243,827	\$ 1,561,289

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

**For the Fiscal Year Ended June 30, 1994**

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

**Budgeted Funds**

	State Lottery	Motor License	Workmen's Compensation Administration	Public Transportation Assistance	Pharmaceutical Assistance	Water Facilities Loan	Pennsylvania Economic Revitalization	Hazardous Sites Cleanup	Fish and Game	Recycling	Other	Total
<b>REVENUES:</b>												
Taxes	\$ 233	\$ 1,262,300	\$ . . . . .	\$ 159,601	\$ . . . . .	\$ 34,129	\$ 74	\$ 30,958	\$ . . . . .	\$ 30,801	\$ 1,486,905	
Licenses and fees	58,658	488,001	. . . . .	. . . . .	. . . . .	2,930	46,742	30,958	46,742	24,293	593,157	
Intergovernmental	3,647	756,736	. . . . .	. . . . .	. . . . .	462	14,935	. . . . .	14,935	110,387	941,178	
Charges for sales and services	3,082	73,502	25,956	. . . . .	. . . . .	2,893	422	. . . . .	16,012	47,994	170,426	
Investment income	1,574,949	11,362	718	536	375	31	581	3,280	3,296	7,837	33,278	
Lottery revenues	(324)	41,211	272	. . . . .	. . . . .	. . . . .	310	1,029	2,659	194	1,574,949	
Other	1,640,245	2,633,112	26,946	160,137	398	2,924	1,313	41,830	83,718	33,332	248,141	4,872,096
<b>TOTAL REVENUES</b>												
<b>EXPENDITURES:</b>												
Current:												
General government	985,321	56,675	24,148	. . . . .	. . . . .	. . . . .	3,533	. . . . .	. . . . .	. . . . .	60,623	1,130,300
Protection of persons and property	323,769	. . . . .	. . . . .	. . . . .	200,830	. . . . .	8,196	. . . . .	. . . . .	. . . . .	7,808	16,004
Public health and welfare	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	570	. . . . .	33,136	85,460	24,279	147,065	671,664
Conservation of natural resources	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	5,324	. . . . .	. . . . .	. . . . .	70,565	214,010
Economic development and assistance	103,246	2,058,616	. . . . .	150,882	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	3,574	8,898
Transportation	. . . . .	27,796	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	2,312,744
Capital outlay	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	27,796
Debt Service:												
Interest and fiscal charges	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	15	15
<b>TOTAL EXPENDITURES</b>	1,412,336	2,143,087	24,148	150,882	200,830	570	17,053	33,136	85,460	24,279	289,650	4,381,431
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	227,909	490,025	2,798	9,255	(200,432)	2,354	(15,740)	8,694	(1,742)	9,053	(41,509)	490,665
<b>OTHER FINANCING SOURCES (USES):</b>												
Bond proceeds	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	22,491	4,926	. . . . .	. . . . .	. . . . .	24,629	52,046
Operating transfers in	266	57,034	. . . . .	. . . . .	207,000	. . . . .	65,990	. . . . .	1,938	. . . . .	27,188	359,416
Operating transfers out	(229,294)	(470,637)	. . . . .	(4,690)	. . . . .	(13,960)	(581)	. . . . .	(35)	. . . . .	(14,398)	(733,595)
Capital lease and installment purchase obligation	. . . . .	9,428	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	9,428
<b>NET OTHER FINANCING SOURCES (USES)</b>	(229,028)	(404,175)	. . . . .	(4,690)	207,000	8,531	70,335	. . . . .	1,903	. . . . .	37,419	(312,705)
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(1,119)	85,850	2,798	4,565	6,568	10,885	54,595	8,694	161	9,053	(4,090)	177,960
<b>FUND BALANCES (DEFICITS), JULY 1, 1993</b>	(20,896)	270,794	16,757	15,970	(12,456)	39,524	39,630	110,368	67,077	51,878	186,350	764,996
<b>RESIDUAL EQUITY TRANSFERS</b>	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	(21,414)	(8,780)	. . . . .	. . . . .	. . . . .	(750)	(30,944)
<b>FUND BALANCES (DEFICITS), JUNE 30, 1994</b>	\$ (22,015)	\$ 356,644	\$ 19,555	\$ 20,535	\$ (5,888)	\$ 28,995	\$ 85,445	\$ 119,062	\$ 67,238	\$ 60,931	\$ 181,510	\$ 912,012

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN UNRESERVED/UNDESIGNATED FUND BALANCES—  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
Budgeted Special Revenue Funds**

**For the Fiscal Year Ended June 30, 1994**

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	State Lottery			Motor License			Workmen's Compensation Administration			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUES:</b>												
State Programs:												
Taxes, net of refunds.....	790,546	848,265	57,719	928,003	944,505	16,502	25,846	25,962	116	953,849	970,467	16,618
Lottery receipts.....				467,400	476,426	9,026				790,546	848,265	57,719
Licenses and fees.....	8,668	8,668		69,400	42,085	(27,315)				467,400	476,426	9,026
Departmental services.....	6,713	3,160	(3,553)	1,506,888	1,535,321	28,433	1,550	922	(628)	50,753	50,753	
Miscellaneous.....	805,927	860,093	54,166	647,225	643,489	(3,736)	27,396	26,884	(512)	71,663	76,387	(4,724)
Federal Programs.....	71,272	66,258	(5,014)	2,154,113	2,178,810	24,697	27,396	26,884	(512)	718,497	709,747	(8,750)
<b>TOTAL STATE PROGRAMS</b> .....	<b>877,199</b>	<b>926,351</b>	<b>49,152</b>	<b>2,154,113</b>	<b>2,178,810</b>	<b>24,697</b>	<b>27,396</b>	<b>26,884</b>	<b>(512)</b>	<b>3,088,708</b>	<b>3,132,045</b>	<b>43,337</b>
<b>TOTAL REVENUES</b> .....												
<b>EXPENDITURES:</b>												
State Programs:												
General government.....	277,961	277,215	746	248,451	237,756	10,695	25,846	24,678	1,168	552,258	539,649	12,609
Protection of persons and property.....				222,104	215,542	6,562				222,104	215,542	6,562
Public health and welfare.....	600,048	591,783	8,265							600,048	591,783	8,265
Public education.....				1,804	1,476	328				1,804	1,476	328
Transportation.....				1,088,993	1,078,454	10,539				1,088,993	1,078,454	10,539
<b>TOTAL STATE PROGRAMS</b> .....	<b>878,009</b>	<b>868,998</b>	<b>9,011</b>	<b>1,561,552</b>	<b>1,533,228</b>	<b>28,324</b>	<b>25,846</b>	<b>24,678</b>	<b>1,168</b>	<b>2,465,207</b>	<b>2,426,904</b>	<b>38,303</b>
Federal Programs.....	71,272	66,258	(5,014)	647,225	643,489	(3,736)				718,497	709,747	(8,750)
<b>TOTAL EXPENDITURES</b> .....	<b>949,281</b>	<b>935,256</b>	<b>14,025</b>	<b>2,208,777</b>	<b>2,176,717</b>	<b>31,860</b>	<b>25,846</b>	<b>24,678</b>	<b>1,168</b>	<b>3,183,704</b>	<b>3,136,651</b>	<b>47,053</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>(72,082)</b>	<b>(8,905)</b>	<b>63,177</b>	<b>(54,464)</b>	<b>2,093</b>	<b>56,557</b>	<b>1,550</b>	<b>2,206</b>	<b>656</b>	<b>(124,996)</b>	<b>(4,606)</b>	<b>120,390</b>
<b>OTHER FINANCING SOURCES:</b>												
Prior year lapses.....	7,865	7,865		22,729	22,729		1,792	1,792		32,386	32,386	
Increase in budgeted revenues.....				28,433		(28,433)				28,433		(28,433)
<b>TOTAL OTHER FINANCING SOURCES</b> .....	<b>7,865</b>	<b>7,865</b>	<b></b>	<b>51,162</b>	<b>22,729</b>	<b>(28,433)</b>	<b>1,792</b>	<b>1,792</b>	<b></b>	<b>60,819</b>	<b>32,386</b>	<b>(28,433)</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b> .....	<b>(64,217)</b>	<b>(1,040)</b>	<b>63,177</b>	<b>(3,302)</b>	<b>24,822</b>	<b>28,124</b>	<b>3,342</b>	<b>3,998</b>	<b>656</b>	<b>(64,177)</b>	<b>27,780</b>	<b>91,957</b>
<b>UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JULY 1, 1993</b> .....	<b>90,653</b>	<b>90,653</b>	<b></b>	<b>82,649</b>	<b>82,649</b>	<b></b>	<b>15,003</b>	<b>15,003</b>	<b></b>	<b>188,305</b>	<b>188,305</b>	<b></b>
<b>UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 1994</b> .....	<b>\$ 26,436</b>	<b>\$ 89,613</b>	<b>\$ 63,177</b>	<b>\$ 79,347</b>	<b>\$ 107,471</b>	<b>\$ 28,124</b>	<b>\$ 18,345</b>	<b>\$ 19,001</b>	<b>\$ 656</b>	<b>\$ 124,128</b>	<b>\$ 216,085</b>	<b>\$ 91,957</b>



# 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.

***Pennsylvania Infrastructure Investment Authority (PENNVEST) Redemption Fund*** — to account for the payment of principal and interest on bonds issued for loans to local water companies for the repair, construction, extension and improvement of water supply systems, dams and port facilities and water control systems. Funding consists of transfers from the General Fund and the Pennsylvania Infrastructure Investment Authority Fund.

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

***Pennsylvania 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.

***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.

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

***Other*** — these funds account for the payment of principal and interest on bonds issued for loans to nursing homes and volunteer fire companies and for compensation to Vietnam Veterans. Funding consists primarily of transfers from the General Fund. This other category includes eight individual debt service funds.

There are a total of fourteen debt service funds.

**COMBINING BALANCE SHEET**  
**Debt Service Funds**

**June 30, 1994**

**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
<b>ASSETS</b>								
Cash	\$ 249	\$ 1	\$ 12,491	\$ 1	\$ 1	\$ 1	\$ 6	\$ 10
Cash with fiscal agents			26,792	8	455	1,436	633	15,272
Temporary investments		30		129	2		1,736	28,689
Receivables, net:								
Accounts			15,982					15,982
Accrued interest			92	1			607	700
Lease rental			2,662					2,662
Due from other funds				136		18	15	169
Due from component unit		37,739						37,739
<b>TOTAL ASSETS</b>	<b>\$ 249</b>	<b>\$ 37,770</b>	<b>\$ 58,019</b>	<b>\$ 275</b>	<b>\$ 458</b>	<b>\$ 1,455</b>	<b>\$ 2,997</b>	<b>\$ 101,223</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts payable and accrued liabilities	\$ 249	\$ 34	\$ 12,491	\$ 8	\$ 455	\$ 1,436	\$ 633	\$ 15,272
Matured debt principal and interest payable							2,184	2,184
Due to other funds			18,644					18,644
Deferred revenue		64	790		2		51	907
Other liabilities								
<b>TOTAL LIABILITIES</b>	<b>249</b>	<b>64</b>	<b>31,959</b>	<b>8</b>	<b>457</b>	<b>1,436</b>	<b>2,868</b>	<b>37,041</b>
<b>Fund Balance:</b>								
Unreserved:								
Designated for:								
Debt Service:								
Retirement of general obligation bonds		37,706	26,060	267	1	19	164	64,217
Undesignated (deficit)							(35)	(35)
TOTAL FUND BALANCES		37,706	26,060	267	1	19	129	64,182
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 249</b>	<b>\$ 37,770</b>	<b>\$ 58,019</b>	<b>\$ 275</b>	<b>\$ 458</b>	<b>\$ 1,455</b>	<b>\$ 2,997</b>	<b>\$ 101,223</b>

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

*For the Fiscal Year Ended June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	Disease Relief Redemption	Pennsylvania Infrastructure Investment Authority Redemption	Capital Debt	Pennsylvania Economic Revitalization Sinking	Water Facilities Loan Redemption	Land and Water Facilities Sinking	Other	Total
<b>REVENUES:</b>								
Investment income .....	\$	17	\$ 587	\$ 2	12	\$	897	\$ 1,515
Lease rental principal and interest .....			3,964					3,964
Other .....			15,095					15,095
<b>TOTAL REVENUES .....</b>		<b>17</b>	<b>19,646</b>	<b>2</b>	<b>12</b>		<b>897</b>	<b>20,574</b>
<b>EXPENDITURES:</b>								
Debt Service:								
Principal retirement .....	6,720	7,605	411,835	7,610	9,980	24,485	14,109	482,344
Interest and fiscal charges .....	3,719	11,341	230,935	6,229	7,983	10,672	11,862	282,741
<b>TOTAL EXPENDITURES .....</b>	<b>10,439</b>	<b>18,946</b>	<b>642,770</b>	<b>13,839</b>	<b>17,963</b>	<b>35,157</b>	<b>25,971</b>	<b>765,085</b>
<b>REVENUES UNDER EXPENDITURES .....</b>	<b>(10,439)</b>	<b>(18,929)</b>	<b>(623,124)</b>	<b>(13,837)</b>	<b>(17,951)</b>	<b>(35,157)</b>	<b>(25,074)</b>	<b>(744,511)</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Refunding bond proceeds .....			674,819					674,819
Operating transfers in .....	10,106	16,956	636,325	13,691	17,952	35,164	25,919	756,113
Operating transfers out .....			(674,819)				(894)	(894)
Payment to refunded bond escrow agent .....								(674,819)
<b>NET OTHER FINANCING SOURCES .....</b>	<b>10,106</b>	<b>16,956</b>	<b>636,325</b>	<b>13,691</b>	<b>17,952</b>	<b>35,164</b>	<b>25,025</b>	<b>755,219</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES .....</b>	<b>(333)</b>	<b>(1,973)</b>	<b>13,201</b>	<b>(146)</b>	<b>1</b>	<b>7</b>	<b>(49)</b>	<b>10,708</b>
<b>FUND BALANCES, JULY 1, 1993 .....</b>	<b>333</b>	<b>39,679</b>	<b>12,859</b>	<b>413</b>		<b>12</b>	<b>178</b>	<b>53,474</b>
<b>FUND BALANCES, JUNE 30, 1994 .....</b>	<b>\$</b>	<b>\$ 37,706</b>	<b>\$ 26,060</b>	<b>\$ 267</b>	<b>\$ 1</b>	<b>\$ 19</b>	<b>\$ 129</b>	<b>\$ 64,182</b>

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

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

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

There are a total of three capital projects funds.

**COMBINING BALANCE SHEET**  
**Capital Projects Funds**

*June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**  
 (Expressed in Thousands)

	<u>Capital Facilities</u>	<u>Local Criminal Justice</u>	<u>Land and Water Development</u>	<u>Total</u>
<b>ASSETS</b>				
Cash .....	\$ 4	\$ 1	\$ 6	\$ 11
Temporary investments .....	183,584	5,176	5,051	193,811
Receivables, net:				
Accrued interest .....	198	33	18	249
Due from other funds .....	549	.....	.....	549
<b>TOTAL ASSETS</b> .....	<u>\$ 184,335</u>	<u>\$ 5,210</u>	<u>\$ 5,075</u>	<u>\$ 194,620</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities .....	\$ 77,233	\$ 4,233	\$ 125	\$ 81,591
Due to other funds .....	159	.....	19	178
<b>TOTAL LIABILITIES</b> .....	<u>77,392</u>	<u>4,233</u>	<u>144</u>	<u>81,769</u>
<b>Fund Balance:</b>				
<b>Reserved for:</b>				
Encumbrances .....	275,649	13	1,058	276,720
<b>Unreserved:</b>				
<b>Designated for:</b>				
Capital projects .....	.....	964	3,873	4,837
Undesignated (deficit) .....	(168,706)	.....	.....	(168,706)
<b>TOTAL FUND BALANCES</b> .....	<u>106,943</u>	<u>977</u>	<u>4,931</u>	<u>112,851</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<u>\$ 184,335</u>	<u>\$ 5,210</u>	<u>\$ 5,075</u>	<u>\$ 194,620</u>

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

**Capital Projects Funds**

*For the Fiscal Year Ended June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	Capital Facilities	Local Criminal Justice	Land and Water Development	Total
<b>REVENUES:</b>				
Intergovernmental .....	\$ 4,818	\$ . . . .	\$ . . . .	\$ 4,818
Charges for goods and services .....	6,384	. . . .	. . . .	6,384
Investment income .....	3,962	1,007	148	5,117
Other .....	. . . .	. . . .	31	31
<b>TOTAL REVENUES</b> .....	<u>15,164</u>	<u>1,007</u>	<u>179</u>	<u>16,350</u>
<b>EXPENDITURES:</b>				
General government .....	2,275	. . . .	. . . .	2,275
Protection of persons and property .....	. . . .	97,588	. . . .	97,588
Conservation of natural resources .....	1,599	. . . .	. . . .	1,599
Economic development and assistance .....	8,359	. . . .	. . . .	8,359
Transportation .....	100,675	. . . .	. . . .	100,675
Capital outlay .....	160,388	. . . .	3,304	163,692
<b>TOTAL EXPENDITURES</b> .....	<u>273,296</u>	<u>97,588</u>	<u>3,304</u>	<u>374,188</u>
<b>REVENUES UNDER EXPENDITURES</b> .....	<u>(258,132)</u>	<u>(96,581)</u>	<u>(3,125)</u>	<u>(357,838)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond proceeds .....	300,643	46,250	3,936	350,829
Operating transfers out .....	(55,328)	. . . .	(148)	(55,476)
<b>NET OTHER FINANCING SOURCES</b> .....	<u>245,315</u>	<u>46,250</u>	<u>3,788</u>	<u>295,353</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES...</b>	<u>(12,817)</u>	<u>(50,331)</u>	<u>663</u>	<u>(62,485)</u>
<b>FUND BALANCES, JULY 1, 1993</b> .....	<u>119,760</u>	<u>51,308</u>	<u>4,268</u>	<u>175,336</u>
<b>FUND BALANCES, JUNE 30, 1994</b> .....	<u>\$ 106,943</u>	<u>\$ 977</u>	<u>\$ 4,931</u>	<u>\$ 112,851</u>



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# 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.

*Sunny Day Fund* — to account for and provide assistance to the Governor and the Economic Development Partnership in their effort to attract industrial, manufacturing or research and development enterprises to the Commonwealth.

*Capital Loan Fund* — to account for and provide low interest loans to businesses for the purchase of land, buildings, machinery, equipment and for working capital.

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

*State Stores Fund* — to account for the general operation of the Pennsylvania Liquor Control Board. Expenses include all costs associated with the operation and administration of the Liquor Store System and enforcement of the Liquor Control Law.

*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 Loan Fund* — to account for and provide loans to minority business and for operating expenses of the Pennsylvania Minority Business Development Authority. Sources of revenue include loan repayments, transfers from the General Fund and interest.

*Machinery and Equipment Loan Fund* — to account for and provide low-interest machinery and equipment financing to Pennsylvania businesses to facilitate their growth, competitiveness and value added-capacity. Sources of revenue include loan repayments, transfers from the Pennsylvania Economic Revitalization Fund and interest earnings.

*Other* — to account for enterprise operations including activities associated with low interest loans to manufacturers and vocational rehabilitation services and loans and grants issued to attract industrial, manufacturing or research and development enterprises to the Commonwealth of Pennsylvania. This other category includes eight individual enterprise funds.

There are a total of fifteen enterprise funds.

**COMBINING BALANCE SHEET**  
Enterprise Funds

June 30, 1994

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

**ASSETS**

	Sunny Day	Capital Loan	State Women's Insurance (Dec. 31, 1993)	State Stores (June 28, 1994)	Volunteer Companies Loan	Minority Business Development Loan	Machinery and Equipment Loan	Other	Total
Cash	\$ 1	\$ 123	\$ 5,604	\$ 3,522	\$ 100	\$ 23	\$ 95	\$ 113	\$ 9,581
Temporary investments	49,834	35,007	358,970	56,319	9,029	2,563	4,165	25,997	541,884
Long-term investments			957,647					188	957,835
Receivables, net:									
Accounts			49,922	1,405				64	51,391
Accrued interest	650	206	14,934	200	114	118	71	93	16,386
Notes and loans	66,197	23,845	34,243		59,323	12,404	26,547	792	223,351
Due from other funds			64	139				7,832	8,035
Inventory				101,497				195	101,692
Fixed assets	14,710		10,574	50,974				9,100	85,358
Less: accumulated depreciation	(14,710)		(7,363)	(30,599)				(7,370)	(60,042)
Other assets			900	272					1,172
<b>TOTAL ASSETS</b>	<b>\$ 116,682</b>	<b>\$ 59,181</b>	<b>\$ 1,425,495</b>	<b>\$ 183,729</b>	<b>\$ 68,566</b>	<b>\$ 15,108</b>	<b>\$ 30,878</b>	<b>\$ 37,004</b>	<b>\$ 1,936,643</b>

**LIABILITIES AND FUND EQUITY**

	Sunny Day	Capital Loan	State Women's Insurance (Dec. 31, 1993)	State Stores (June 28, 1994)	Volunteer Companies Loan	Minority Business Development Loan	Machinery and Equipment Loan	Other	Total
Liabilities:									
Accounts payable and accrued liabilities			8,980	75,087		878		2,865	\$ 87,908
Due to other funds	96	2	5,385	16,493		7	8	202	22,095
Due to other governments				406				97	503
Deferred revenue			80,087		36			1,964	82,087
Notes payable				713					713
Advances from other funds			2,000	66,000					68,000
Other liabilities			13,099						13,099
Insurance loss liability			1,198,244						1,198,244
<b>TOTAL LIABILITIES</b>	<b>96</b>	<b>2</b>	<b>1,307,795</b>	<b>158,699</b>	<b>36</b>	<b>885</b>	<b>8</b>	<b>5,128</b>	<b>1,472,649</b>
Fund Equity:									
Contributed capital	100,000	46,405		2,294	50,425	31,380	30,900	5,050	266,454
Retained earnings (deficit):									
Reserved	16,586	12,774	91,566	22,736	18,105	(17,157)		7,902	99,468
Unreserved	116,586	59,179	26,134	25,080	68,530	14,223	30,870	18,924	98,072
<b>TOTAL FUND EQUITY</b>	<b>116,586</b>	<b>59,179</b>	<b>117,700</b>	<b>25,080</b>	<b>68,530</b>	<b>14,223</b>	<b>30,870</b>	<b>31,876</b>	<b>463,994</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 116,682</b>	<b>\$ 59,181</b>	<b>\$ 1,425,495</b>	<b>\$ 183,729</b>	<b>\$ 68,566</b>	<b>\$ 15,108</b>	<b>\$ 30,878</b>	<b>\$ 37,004</b>	<b>\$ 1,936,643</b>

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

*For the Fiscal Year Ended June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	Sunny Day	Capital Loan	State Workmen's Insurance (Dec. 31, 1993)	State Stores (June 28, 1994)	Volunteer Companies Loan	Minority Business Development Loan	Machinery and Equipment Loan	Other	Total
<b>OPERATING REVENUES:</b>									
Sales and services.....	\$ 2,008	\$ 1,185	\$ 438,323	\$ 678,445	\$ 202	\$ 176	\$ 212	\$ 17,154	\$ 1,133,922
Investment income .....	2,397	1,345	92,426	.....	1,116	252	590	66	96,275
Interest on notes and loans .....	6,101	.....	37	.....	.....	42	154	9	5,709
Other .....	10,506	2,530	530,786	678,445	1,318	470	956	17,229	6,334
<b>TOTAL OPERATING REVENUES.....</b>									<b>1,242,240</b>
<b>OPERATING EXPENSES:</b>									
Cost of sales and services .....	.....	3	422,709	619,334	.....	3,493	149	15,034	1,060,722
Interest expense .....	.....	.....	578	.....	.....	.....	.....	.....	578
Depreciation .....	.....	.....	1,108	5,172	.....	.....	.....	629	6,909
Bad debts .....	14,284	113	(2,561)	689	348	508	2,025	7	15,413
Other .....	.....	.....	.....	.....	23	.....	.....	.....	23
<b>TOTAL OPERATING EXPENSES .....</b>	<b>14,284</b>	<b>116</b>	<b>421,834</b>	<b>625,195</b>	<b>371</b>	<b>4,001</b>	<b>2,174</b>	<b>15,670</b>	<b>1,083,645</b>
<b>OPERATING INCOME (LOSS) .....</b>	<b>(3,778)</b>	<b>2,414</b>	<b>108,952</b>	<b>53,250</b>	<b>947</b>	<b>(3,531)</b>	<b>(1,218)</b>	<b>1,559</b>	<b>158,595</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>									
Investment income .....	.....	.....	.....	2,069	.....	.....	.....	950	3,019
Interest expense .....	.....	.....	.....	(55)	.....	.....	.....	.....	(55)
Other .....	.....	.....	.....	(10)	.....	.....	.....	235	225
<b>NONOPERATING REVENUES, NET .....</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>2,004</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>1,185</b>	<b>3,189</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS ..</b>	<b>(3,778)</b>	<b>2,414</b>	<b>108,952</b>	<b>55,254</b>	<b>947</b>	<b>(3,531)</b>	<b>(1,218)</b>	<b>2,744</b>	<b>161,784</b>
<b>OPERATING TRANSFERS:</b>									
Operating transfers out.....	.....	.....	.....	(48,105)	.....	.....	.....	.....	(48,105)
<b>NET INCOME (LOSS) .....</b>	<b>(3,778)</b>	<b>2,414</b>	<b>108,952</b>	<b>7,149</b>	<b>947</b>	<b>(3,531)</b>	<b>(1,218)</b>	<b>2,744</b>	<b>113,679</b>
<b>RETAINED EARNINGS (DEFICITS), AS RESTATED, JULY 1, 1993.....</b>	<b>20,364</b>	<b>10,360</b>	<b>8,748</b>	<b>15,587</b>	<b>17,158</b>	<b>(13,626)</b>	<b>1,188</b>	<b>24,082</b>	<b>83,861</b>
<b>RETAINED EARNINGS (DEFICITS), JUNE 30, 1994 .....</b>	<b>\$ 16,586</b>	<b>\$ 12,774</b>	<b>\$ 117,700</b>	<b>\$ 22,736</b>	<b>\$ 18,105</b>	<b>\$ (17,157)</b>	<b>\$ (30)</b>	<b>\$ 26,826</b>	<b>\$ 197,540</b>

**COMBINING STATEMENT OF CASH FLOWS**  
**Enterprise Funds**

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	Sunny Day	Capital Loan	State Workmen's Insurance (Dec. 31, 1993)	State Stores (June 28, 1994)
<b>CASH PROVIDED FROM (USED FOR) OPERATIONS:</b>				
Operating income (loss) .....	\$ (3,778)	\$ 2,414	\$ 108,952	\$ 53,250
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation .....			1,108	5,172
Provision for uncollectible accounts .....	14,284	113	(2,561)	689
Change in assets and liabilities:				
(Increase)/decrease in receivables .....	(11,370)	212	(25,787)	1,790
(Increase)/decrease in due from other funds .....		100	13	(118)
Decrease in due from other governments .....				
Increase in inventory .....				(4,128)
Decrease in other assets .....			94	283
Increase/(decrease) in accounts payable and accrued liabilities .....	96		1,432	621
Increase/(decrease) in due to other funds .....			(953)	356
Increase in due to other governments .....				20
Increase/(decrease) in deferred revenue .....			30,089	
Increase in insurance loss liability .....			81,928	
Increase in other liabilities .....			4,174	
Total adjustments .....	3,010	425	89,537	4,685
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>(768)</b>	<b>2,839</b>	<b>198,489</b>	<b>57,935</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Principal paid on notes payable and revenue bonds .....				(712)
Interest paid on notes payable and revenue bonds .....				(55)
Operating transfers out .....				(48,105)
Increases in contributed capital .....		980		
Decrease in contributed capital .....				
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>		<b>980</b>		<b>(48,872)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Increases in contributed capital .....				
Acquisition and construction of capital assets .....			(1,196)	(1,546)
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>			<b>(1,196)</b>	<b>(1,546)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of investments .....	(17,720)	(10,235)	(3,329,897)	(516,538)
Proceeds from sale and maturities of investments .....	18,453	6,299	3,131,825	506,737
Investment income .....				2,069
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES .....</b>	<b>733</b>	<b>(3,936)</b>	<b>(198,072)</b>	<b>(7,732)</b>
<b>NET INCREASE (DECREASE) IN CASH .....</b>	<b>(35)</b>	<b>(117)</b>	<b>(779)</b>	<b>(215)</b>
CASH, JULY 1, 1993 .....	36	240	6,383	3,737
<b>CASH, JUNE 30, 1994 .....</b>	<b>\$ 1</b>	<b>\$ 123</b>	<b>\$ 5,604</b>	<b>\$ 3,522</b>

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

**For the Fiscal Year Ended June 30, 1994**

Volunteer Companies Loan	Minority Business Development Loan	Machinery and Equipment Loan	Other	Total
\$ 947	\$ (3,531)	\$ (1,218)	\$ 1,559	\$ 158,595
.....	.....	.....	629	6,909
348	508	2,025	7	15,413
(6,729)	(3,621)	(11,543)	(611)	(57,659)
.....	.....	.....	(3,904)	(3,909)
.....	.....	.....	16	16
.....	.....	.....	(23)	(4,151)
.....	.....	.....	.....	377
.....	765	.....	(283)	2,631
.....	(60)	(2)	17	(642)
.....	.....	.....	90	110
(3)	.....	.....	210	30,296
.....	.....	.....	.....	81,928
.....	.....	.....	.....	4,174
<u>(6,384)</u>	<u>(2,408)</u>	<u>(9,520)</u>	<u>(3,852)</u>	<u>75,493</u>
<u>(5,437)</u>	<u>(5,939)</u>	<u>(10,738)</u>	<u>(2,293)</u>	<u>234,088</u>
.....	.....	.....	.....	(712)
.....	.....	.....	.....	(55)
.....	.....	.....	.....	(48,105)
9,835	1,400	7,800	750	20,765
.....	.....	.....	(7)	(7)
<u>9,835</u>	<u>1,400</u>	<u>7,800</u>	<u>743</u>	<u>(28,114)</u>
.....	.....	.....	751	751
.....	.....	.....	(700)	(3,442)
.....	.....	.....	51	(2,691)
(18,268)	(2,921)	(13,139)	(14,188)	(3,922,906)
13,834	7,473	16,104	14,787	3,715,512
.....	.....	.....	895	2,964
<u>(4,434)</u>	<u>4,552</u>	<u>2,965</u>	<u>1,494</u>	<u>(204,430)</u>
(36)	13	27	(5)	(1,147)
136	10	68	118	10,728
<u>\$ 100</u>	<u>\$ 23</u>	<u>\$ 95</u>	<u>\$ 113</u>	<u>\$ 9,581</u>

# 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 and commissions.

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

There are a total of two internal service funds.

**COMBINING BALANCE SHEET**  
**Internal Service Funds**

*June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**  
 (Expressed in Thousands)

	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
<b>ASSETS</b>			
Cash .....	\$ 236	\$ 173	\$ 409
Temporary investments .....	22,302	3,712	26,014
Receivables, net:			
Accounts .....	24	.....	24
Accrued interest .....	78	11	89
Other .....	.....	333	333
Due from other funds .....	7,875	3,409	11,284
Due from component units .....	950	9	959
Due from other governments .....	233	20	253
Inventory .....	2,278	10,480	12,758
Fixed assets .....	36,664	16,419	53,083
Less: accumulated depreciation .....	(17,391)	(9,077)	(26,468)
Other assets .....	3,531	97	3,628
<b>TOTAL ASSETS</b> .....	<u>\$ 56,780</u>	<u>\$ 25,586</u>	<u>\$ 82,366</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Accounts payable and accrued liabilities .....	\$ 9,090	\$ 3,441	\$ 12,531
Due to other funds .....	8,818	236	9,054
Due to other governments .....	22	31	53
Notes payable .....	3,970	.....	3,970
<b>TOTAL LIABILITIES</b> .....	<u>21,900</u>	<u>3,708</u>	<u>25,608</u>
Fund Equity:			
Contributed capital .....	9,219	.....	9,219
Retained earnings:			
Unreserved .....	25,661	21,878	47,539
<b>TOTAL FUND EQUITY</b> .....	<u>34,880</u>	<u>21,878</u>	<u>56,758</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b> .....	<u>\$ 56,780</u>	<u>\$ 25,586</u>	<u>\$ 82,366</u>

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

*For the Fiscal Year Ended June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**  
(Expressed in Thousands)

	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>			
Sales and services .....	\$ 75,523	\$ 25,046	\$ 100,569
Other .....	.....	17	17
<b>TOTAL OPERATING REVENUES .....</b>	<u>75,523</u>	<u>25,063</u>	<u>100,586</u>
<b>OPERATING EXPENSES:</b>			
Cost of sales and services .....	63,261	23,597	86,858
Depreciation .....	4,807	690	5,497
<b>TOTAL OPERATING EXPENSES .....</b>	<u>68,068</u>	<u>24,287</u>	<u>92,355</u>
<b>OPERATING INCOME .....</b>	<u>7,455</u>	<u>776</u>	<u>8,231</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment income .....	608	115	723
Interest expense .....	(899)	.....	(899)
Other .....	(172)	(85)	(257)
<b>NONOPERATING REVENUES (EXPENSES), NET ..</b>	<u>(463)</u>	<u>30</u>	<u>(433)</u>
<b>NET INCOME .....</b>	6,992	806	7,798
<b>RETAINED EARNINGS, AS RESTATED, JULY 1, 1993.</b>	<u>18,669</u>	<u>21,072</u>	<u>39,741</u>
<b>RETAINED EARNINGS, JUNE 30, 1994 .....</b>	<u>\$ 25,661</u>	<u>\$ 21,878</u>	<u>\$ 47,539</u>

**COMBINING STATEMENT OF CASH FLOWS**  
**Internal Service Funds**

*For the Fiscal Year Ended June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**  
 (Expressed in Thousands)

	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
<b>CASH PROVIDED FROM (USED FOR) OPERATIONS:</b>			
Operating income .....	\$ 7,455	\$ 776	\$ 8,231
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation .....	4,807	690	5,497
Changes in assets and liabilities:			
(Increase)/decrease in receivables .....	(73)	35	(38)
(Increase)/decrease in due from other funds .....	3,308	(833)	2,475
Increase in due from component units .....	(950)	(9)	(959)
(Increase)/decrease in due from other governments ..	129	(5)	124
Increase in inventory .....	(276)	(851)	(1,127)
Decrease in other assets .....	1,323	11	1,334
Increase in accounts payable and accrued liabilities .....	1,302	600	1,902
Increase in due to other funds .....	6,028	59	6,087
Increase in due to other governments .....	2	5	7
<b>TOTAL ADJUSTMENTS</b> .....	<u>15,600</u>	<u>(298)</u>	<u>15,302</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b> .....	<u>23,055</u>	<u>478</u>	<u>23,533</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Principal paid on notes payable .....	(1,161)	.....	(1,161)
Interest paid on notes payable .....	(320)	.....	(320)
<b>NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES</b> .....	<u>(1,481)</u>	<u>.....</u>	<u>(1,481)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Interest paid on revenue bonds .....	(579)	.....	(579)
Acquisition and construction of capital assets .....	(7,274)	(1,837)	(9,111)
Proceeds from sale of capital assets .....	1,044	.....	1,044
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b> .....	<u>(6,809)</u>	<u>(1,837)</u>	<u>(8,646)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments .....	(49,431)	(17,732)	(67,163)
Proceeds from sale and maturities of investments .....	34,086	18,973	53,059
Investment income .....	608	115	723
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b> .....	<u>(14,737)</u>	<u>1,356</u>	<u>(13,381)</u>
<b>NET INCREASE/(DECREASE) IN CASH</b> .....	28	(3)	25
<b>CASH, JULY 1, 1993</b> .....	<u>208</u>	<u>176</u>	<u>384</u>
<b>CASH, JUNE 30, 1994</b> .....	<u>\$ 236</u>	<u>\$ 173</u>	<u>\$ 409</u>

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

# 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 and employe taxes, 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 stock insurance company and for the administrative costs to administer the program.

*Catastrophic Loss Benefits Continuation Fund* — to account for the payment of medical and rehabilitative expenses over \$100,000 to residents injured in a motor vehicle accident covered by the original Catastrophic Loss Trust Fund (no longer in existence).

*Other* — to account for financial assistance to public schools for certain repairs or alterations to buildings and for reimbursement to aggrieved individuals upon judgements against any person licensed by the Real Estate Commission. This other category includes six individual expendable trust funds.

### PENSION TRUST FUND:

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

### AGENCY FUNDS

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

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

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

*Fire Insurance Tax Fund* — to collect a two-percent premiums 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 collect a portion of the insurance company tax revenues for distribution to municipalities for distribution to police and fire pension funds.

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

*Other* — to collect and administer funds from various sources for distribution to other state and local governments or the Federal Government. This other category includes eight individual agency funds.

There are a total of nine expendable trust funds, one pension trust fund and fourteen agency funds.

**COMBINING BALANCE SHEET**  
**Trust and Agency Funds**

*June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	Expendable Trust Funds	Pension Trust Fund	Agency Funds	Total
<b>ASSETS</b>				
Cash .....	\$ 4,159	\$ . . . .	\$ 3,062	\$ 7,221
Cash with fiscal agents .....	1,379,438	. . . .	1	1,379,439
Temporary investments .....	80,867	495,595	540,370	1,116,832
Long-term investments .....	271,458	13,050,313	219,946	13,541,717
Receivables, net:				
Taxes .....	430,708	. . . .	2,725	433,433
Accounts .....	8,887	. . . .	81,149	90,036
Accrued interest .....	6,291	80,321	2,119	88,731
Other .....	. . . .	1,108	98	1,206
Due from other funds .....	7,802	68,320	1,350	77,472
Due from component units .....	313	9,913	. . . .	10,226
Due from other governments .....	15,393	9,030	191	24,614
Fixed assets .....	. . . .	100	. . . .	100
Less: accumulated depreciation .....	. . . .	(100)	. . . .	(100)
Other assets .....	. . . .	. . . .	31,999	31,999
<b>TOTAL ASSETS</b> .....	<u>\$ 2,205,316</u>	<u>\$13,714,600</u>	<u>\$ 883,010</u>	<u>\$16,802,926</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities .....	\$ 117,701	\$ 13,695	\$ 194,043	\$ 325,439
Tax refunds payable .....	2,535	. . . .	. . . .	2,535
Due to other funds .....	5,059	18	1,310	6,387
Due to other governments .....	2,474	. . . .	196,580	199,054
Other liabilities .....	. . . .	. . . .	491,077	491,077
<b>TOTAL LIABILITIES</b> .....	<u>127,769</u>	<u>13,713</u>	<u>883,010</u>	<u>1,024,492</u>
Fund Balance:				
Reserved for:				
Encumbrances .....	17,825	. . . .	. . . .	17,825
Pension benefits .....	. . . .	13,700,887	. . . .	13,700,887
Long-term investments .....	271,458	. . . .	. . . .	271,458
Unreserved:				
Designated for:				
Other .....	260	. . . .	. . . .	260
Undesignated .....	1,788,004	. . . .	. . . .	1,788,004
<b>TOTAL FUND BALANCES</b> .....	<u>2,077,547</u>	<u>13,700,887</u>	<u>. . . .</u>	<u>15,778,434</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<u>\$ 2,205,316</u>	<u>\$13,714,600</u>	<u>\$ 883,010</u>	<u>\$16,802,926</u>

**COMBINING BALANCE SHEET**  
**Expendable Trust Funds**

June 30, 1994

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	Unemployment Compensation	Workmen's Compensation Security Trust	Catastrophic Loss Benefits Continuation	Other	Total
<b>ASSETS</b>					
Cash .....	\$ 4,000	\$ 106	\$ 8	\$ 45	\$ 4,159
Cash with fiscal agents .....	1,379,438	.....	.....	.....	1,379,438
Temporary investments .....	2,111	43,621	22,955	12,180	80,867
Long-term investments .....	.....	270,941	.....	517	271,458
Receivables, net:					
Taxes .....	430,708	.....	.....	.....	430,708
Accounts .....	.....	39	8,848	.....	8,887
Accrued interest .....	26	6,034	89	142	6,291
Due from other funds .....	2,952	4,850	.....	.....	7,802
Due from component units .....	313	.....	.....	.....	313
Due from other governments .....	15,393	.....	.....	.....	15,393
<b>TOTAL ASSETS</b> .....	<b>\$ 1,834,941</b>	<b>\$ 325,591</b>	<b>\$ 31,900</b>	<b>\$ 12,884</b>	<b>\$ 2,205,316</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities .....	\$ 70,678	\$ 29,726	\$ 17,047	\$ 250	\$ 117,701
Tax refunds payable .....	2,535	.....	.....	.....	2,535
Due to other funds .....	.....	41	4,893	125	5,059
Due to other governments .....	2,474	.....	.....	.....	2,474
<b>TOTAL LIABILITIES</b> .....	<b>75,687</b>	<b>29,767</b>	<b>21,940</b>	<b>375</b>	<b>127,769</b>
Fund Balance:					
Reserved for:					
Encumbrances .....	.....	17,773	.....	52	17,825
Long-term investments .....	.....	270,941	.....	517	271,458
Unreserved:					
Designated for:					
Other .....	.....	.....	.....	260	260
Undesignated .....	1,759,254	7,110	9,960	11,680	1,788,004
<b>TOTAL FUND BALANCES</b> .....	<b>1,759,254</b>	<b>295,824</b>	<b>9,960</b>	<b>12,509</b>	<b>2,077,547</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<b>\$ 1,834,941</b>	<b>\$ 325,591</b>	<b>\$ 31,900</b>	<b>\$ 12,884</b>	<b>\$ 2,205,316</b>



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

*For the Fiscal Year Ended June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**  
(Expressed in Thousands)

	Unemployment Compensation	Workmen's Compensation Security Trust	Catastrophic Loss Benefits Continuation	Other	Total
<b>REVENUES:</b>					
Taxes .....	\$ 6,242	\$ . . . .	\$ . . . .	\$ . . . .	\$ 6,242
Unemployment taxes .....	1,890,038	. . . .	. . . .	. . . .	1,890,038
Licenses and fees .....	. . . .	28,117	35,816	43	63,976
Intergovernmental .....	643,505	. . . .	. . . .	. . . .	643,505
Investment income .....	77,921	22,514	866	250	101,551
Other .....	165	582	. . . .	10,492	11,239
<b>TOTAL REVENUES</b> .....	<u>2,617,871</u>	<u>51,213</u>	<u>36,682</u>	<u>10,785</u>	<u>2,716,551</u>
<b>EXPENDITURES:</b>					
Current:					
General government .....	. . . .	4,559	. . . .	579	5,138
Protection of persons and property .....	. . . .	24,473	10,576	324	35,373
Public health and welfare .....	2,266,062	. . . .	. . . .	. . . .	2,266,062
<b>TOTAL EXPENDITURES</b> .....	<u>2,266,062</u>	<u>29,032</u>	<u>10,576</u>	<u>903</u>	<u>2,306,573</u>
<b>REVENUES OVER EXPENDITURES</b> .....	<u>351,809</u>	<u>22,181</u>	<u>26,106</u>	<u>9,882</u>	<u>409,978</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in .....	. . . .	. . . .	. . . .	5	5
Operating transfers out .....	. . . .	. . . .	. . . .	(123)	(123)
<b>NET OTHER FINANCING USES</b> .....	. . . .	. . . .	. . . .	(118)	(118)
<b>REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b> .....	<u>351,809</u>	<u>22,181</u>	<u>26,106</u>	<u>9,764</u>	<u>409,860</u>
<b>FUND BALANCES (DEFICIT), JULY 1, 1993</b> .....	<u>1,407,445</u>	<u>273,643</u>	<u>(16,146)</u>	<u>2,745</u>	<u>1,667,687</u>
<b>FUND BALANCES, JUNE 30, 1994</b> .....	<u>\$ 1,759,254</u>	<u>\$ 295,824</u>	<u>\$ 9,960</u>	<u>\$ 12,509</u>	<u>\$ 2,077,547</u>

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Agency Funds**

*For the Fiscal Year Ended June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**  
 (Expressed in Thousands)

	Balance July 1, 1993	Additions	Deductions	Balance June 30, 1994
<b>INSTITUTIONAL CUSTODIAN ACCOUNTS</b>				
<b>ASSETS</b>				
Cash .....	\$ 2,660	\$ 48,262	\$ 48,102	\$ 2,820
Temporary investments .....	17,032	.....	2,003	15,029
Long-term investments .....	1,253	69	9	1,313
Receivables, net:				
Accounts .....	9,058	12,491	9,058	12,491
Other assets .....	4,121	5,547	4,489	5,179
<b>TOTAL ASSETS .....</b>	<b>\$ 34,124</b>	<b>\$ 66,369</b>	<b>\$ 63,661</b>	<b>\$ 36,832</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	\$ 9,217	\$ 13,759	\$ 10,146	\$ 12,830
Other liabilities .....	24,907	39,790	40,695	24,002
<b>TOTAL LIABILITIES .....</b>	<b>\$ 34,124</b>	<b>\$ 53,549</b>	<b>\$ 50,841</b>	<b>\$ 36,832</b>
<b>STATUTORY LIQUIDATOR FUND</b>				
<b>ASSETS</b>				
Cash .....	\$ .....	\$ 24,005	\$ 24,004	\$ 1
Temporary investments .....	143,558	29,362	.....	172,920
Long-term investments .....	20,230	44,382	5,862	58,750
Receivables, net:				
Accounts .....	54,000	18,143	7,410	64,733
Accrued interest .....	437	875	437	875
Due from other funds .....	77	.....	77	.....
Other assets .....	9,183	20,075	2,438	26,820
<b>TOTAL ASSETS .....</b>	<b>\$ 227,485</b>	<b>\$ 136,842</b>	<b>\$ 40,228</b>	<b>\$ 324,099</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	\$ 149	143	\$ 149	\$ 143
Due to other funds .....	321	259	321	259
Other liabilities .....	227,015	97,412	730	323,697
<b>TOTAL LIABILITIES .....</b>	<b>\$ 227,485</b>	<b>\$ 97,814</b>	<b>\$ 1,200</b>	<b>\$ 324,099</b>
<b>DEFERRED COMPENSATION FUND</b> (December 31)				
<b>ASSETS</b>				
Cash .....	\$ 236	\$ 25,752	\$ 25,987	\$ 1
Cash with fiscal agent .....	.....	1	.....	1
Temporary investments .....	9,679	15,437	14,399	10,717
Long-term investments .....	116,044	44,714	875	159,883
Receivables, net:				
Accrued interest .....	27	29	27	29
Other .....	73	98	73	98
<b>TOTAL ASSETS .....</b>	<b>\$ 126,059</b>	<b>\$ 86,031</b>	<b>\$ 41,361</b>	<b>\$ 170,729</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	\$ 125,802	\$ 44,739	\$ 128	\$ 170,413
Due to other funds .....	257	316	257	316
<b>TOTAL LIABILITIES .....</b>	<b>\$ 126,059</b>	<b>\$ 45,055</b>	<b>\$ 385</b>	<b>\$ 170,729</b>

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Agency Funds — (continued)**

*For the Fiscal Year Ended June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**  
 (Expressed in Thousands)

	Balance July 1, 1993	Additions	Deductions	Balance June 30, 1994
<b>FIRE INSURANCE TAX FUND</b>				
<b>ASSETS</b>				
Cash .....	\$ 1	\$ 106,694	\$ 106,694	\$ 1
Temporary investments .....	50,694	56,094	54,840	51,948
Receivables, net:				
Accrued interest .....	131	189	131	189
<b>TOTAL ASSETS</b> .....	<u>\$ 50,826</u>	<u>\$ 162,977</u>	<u>\$ 161,665</u>	<u>\$ 52,138</u>
<b>LIABILITIES</b>				
Due to other funds .....	\$ 131	\$ 189	\$ 131	\$ 189
Due to other governments .....	50,695	51,854	50,600	51,949
<b>TOTAL LIABILITIES</b> .....	<u>\$ 50,826</u>	<u>\$ 52,043</u>	<u>\$ 50,731</u>	<u>\$ 52,138</u>
<b>MUNICIPAL PENSION AID FUND</b>				
<b>ASSETS</b>				
Cash .....	\$ 1	\$ 278,135	\$ 278,135	\$ 1
Temporary investments .....	116,792	137,143	136,107	117,828
Receivables, net:				
Accrued interest .....	301	1,937	1,809	429
Due from other funds .....	184	164	184	164
<b>TOTAL ASSETS</b> .....	<u>\$ 117,278</u>	<u>\$ 417,379</u>	<u>\$ 416,235</u>	<u>\$ 118,422</u>
<b>LIABILITIES</b>				
Due to other governments .....	\$ 117,278	\$ 134,980	\$ 133,836	\$ 118,422
<b>TOTAL LIABILITIES</b> .....	<u>\$ 117,278</u>	<u>\$ 134,980</u>	<u>\$ 133,836</u>	<u>\$ 118,422</u>
<b>MEDICAL PROFESSIONAL LIABILITY CATASTROPHE LOSS FUND</b>				
<b>ASSETS</b>				
Cash .....	\$ 2,036	\$ 333,441	\$ 335,245	\$ 232
Temporary investments .....	113,395	164,451	170,233	107,613
Receivables, net:				
Accounts .....	110	3,925	110	3,925
Accrued interest .....	295	3,840	3,769	366
<b>TOTAL ASSETS</b> .....	<u>\$ 115,836</u>	<u>\$ 505,657</u>	<u>\$ 509,357</u>	<u>\$ 112,136</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	\$ 3,201	\$ 9,572	\$ 5,021	\$ 7,752
Due to other funds .....	74	32	74	32
Due to other governments .....	4	5	4	5
Other liabilities .....	112,557	162,915	171,125	104,347
<b>TOTAL LIABILITIES</b> .....	<u>\$ 115,836</u>	<u>\$ 172,524</u>	<u>\$ 176,224</u>	<u>\$ 112,136</u>

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

*For the Fiscal Year Ended June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	Balance July 1, 1993	Additions	Deductions	Balance June 30, 1994
<b>OTHER FUNDS</b>				
<b>ASSETS</b>				
Cash .....	\$ 1,210	\$ 648,236	\$ 649,440	\$ 6
Temporary investments .....	21,656	326,819	284,160	64,315
Receivables, net:				
Taxes .....	2,774	28,120	28,169	2,725
Accounts .....	199	.....	199	.....
Accrued interest .....	65	665	499	231
Due from other funds .....	3,793	1,186	3,793	1,186
Due from other governments .....	195	3	7	191
<b>TOTAL ASSETS</b> .....	<u>\$ 29,892</u>	<u>\$1,005,029</u>	<u>\$ 966,267</u>	<u>\$ 68,654</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	\$ 13	\$ 3,294	\$ 402	\$ 2,905
Due to other funds .....	486	1,887	1,859	514
Due to other governments .....	29,393	316,786	319,975	26,204
Other liabilities .....	.....	39,031	.....	39,031
<b>TOTAL LIABILITIES</b> .....	<u>\$ 29,892</u>	<u>\$ 360,998</u>	<u>\$ 322,236</u>	<u>\$ 68,654</u>
<b>TOTAL — ALL FUNDS</b>				
<b>ASSETS</b>				
Cash .....	\$ 6,144	\$1,464,525	\$1,467,607	\$ 3,062
Cash with fiscal agents .....	.....	1	.....	1
Temporary investments .....	472,806	729,306	661,742	540,370
Long-term investments .....	137,527	89,165	6,746	219,946
Receivables, net:				
Taxes .....	2,774	28,120	28,169	2,725
Accounts .....	63,367	34,559	16,777	81,149
Accrued interest .....	1,256	7,535	6,672	2,119
Other .....	73	98	73	98
Due from other funds .....	4,054	1,350	4,054	1,350
Due from other governments .....	195	3	7	191
Other assets .....	13,304	25,622	6,927	31,999
<b>TOTAL ASSETS</b> .....	<u>\$ 701,500</u>	<u>\$2,380,284</u>	<u>\$2,198,774</u>	<u>\$ 883,010</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	\$ 138,382	\$ 71,507	\$ 15,846	\$ 194,043
Due to other funds .....	1,269	2,683	2,642	1,310
Due to other governments .....	197,370	503,625	504,415	196,580
Other liabilities .....	364,479	339,148	212,550	491,077
<b>TOTAL LIABILITIES</b> .....	<u>\$ 701,500</u>	<u>\$ 916,963</u>	<u>\$ 735,453</u>	<u>\$ 883,010</u>

# 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 BY SOURCE

*For the Fiscal Year Ended June 30, 1994*

#### COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)			Balance June 30, 1994
	Balance July 1, 1993	Additions	Retirements	
<b>GENERAL FIXED ASSETS:</b>				
Land .....	\$ 229,752	\$ 9,112	\$ 21	\$ 238,843
Buildings .....	2,283,158	392,692	8,576	2,667,274
Improvements other than buildings .....	154,450	42,352	714	196,088
Furniture, machinery and equipment .....	477,422	40,738	14,688	503,472
	<u>3,144,782</u>	<u>484,894</u>	<u>23,999</u>	<u>3,605,677</u>
Construction in progress .....	129,340	31,075	71,770	88,645
<b>Total General Fixed Assets .....</b>	<b><u>\$3,274,122</u></b>	<b><u>\$ 515,969</u></b>	<b><u>\$ 95,769</u></b>	<b><u>\$3,694,322</u></b>
<b>INVESTMENT IN GENERAL FIXED ASSETS:</b>				
Acquired on or before June 30, 1986 ....	\$2,027,570	\$ . . . .	\$ 15,978	\$2,011,592
Acquired after June 30, 1986 from:				
General fund revenues .....	157,335	433,369	5,973	584,731
General obligation bonds .....	713,299	22,094	301	735,092
Federal grants .....	27,236	1,491	35	28,692
Special revenue funds .....	211,459	27,796	1,712	237,543
Donations .....	7,833	. . . .	. . . .	7,833
Confiscations .....	50	144	. . . .	194
<b>Total Sources .....</b>	<b><u>3,144,782</u></b>	<b><u>484,894</u></b>	<b><u>23,999</u></b>	<b><u>3,605,677</u></b>
Construction in progress .....	129,340	31,075	71,770	88,645
<b>Total Investment in General Fixed Assets .</b>	<b><u>\$3,274,122</u></b>	<b><u>\$ 515,969</u></b>	<b><u>\$ 95,769</u></b>	<b><u>\$3,694,322</u></b>

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

**SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION**

*June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**

FUNCTION	Expressed in Thousands				Total
	Land	Buildings	Improvements Other Than Buildings	Furniture, Machinery And Equipment	
General government .....	\$ 9,859	\$ 449,242	\$ 23,095	\$ 59,074	\$ 541,270
Protection of persons and property .....	8,952	927,619	88,111	57,168	1,081,850
Public health and welfare .....	2,945	571,665	17,952	60,275	652,837
Public education .....	17,453	591,676	49,418	5,623	664,170
Conservation of natural resources .....	196,288	59,686	10,869	24,483	291,326
Economic development and assistance ..	.....	.....	.....	386	386
Transportation .....	3,346	67,386	6,643	296,463	373,838
<b>TOTALS ALLOCATED TO FUNCTIONS .....</b>	<b>\$ 238,843</b>	<b>\$2,667,274</b>	<b>\$ 196,088</b>	<b>\$ 503,472</b>	<b>\$3,605,677</b>
Construction in progress .....					88,645
<b>TOTAL GENERAL FIXED ASSETS .....</b>					<b>\$3,694,322</b>

**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION**

*For the Fiscal Year Ended June 30, 1994*

**COMMONWEALTH OF PENNSYLVANIA**

FUNCTION	Expressed in Thousands					Balance June 30, 1994
	Balance July 1, 1993	Additions	Retirements	Transfers In	Transfers Out	
General government .....	\$ 533,667	\$ 13,256	\$ 9,773	\$ 11,882	\$ 7,762	\$ 541,270
Protection of persons and property .....	638,456	428,333	9,620	26,552	1,871	1,081,850
Public health and welfare .....	670,558	7,253	405	165	24,734	652,837
Public education .....	655,619	8,767	.....	.....	216	664,170
Conservation of natural resources .....	285,259	6,441	368	27	33	291,326
Economic development and assistance .....	381	64	.....	.....	59	386
Transportation .....	360,842	20,780	3,833	138	4,089	373,838
	3,144,782	484,894	23,999	38,764	38,764	3,605,677
Construction in progress .....	129,340	31,075	71,770	.....	.....	88,645
<b>TOTALS .....</b>	<b>\$3,274,122</b>	<b>\$ 515,969</b>	<b>\$ 95,769</b>	<b>\$ 38,764</b>	<b>\$ 38,764</b>	<b>\$3,694,322</b>

# 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<sup>(1)</sup>**

**COMMONWEALTH OF PENNSYLVANIA**

	(Expressed in Thousands)									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994 <sup>(4)</sup>
<b>REVENUES BY SOURCE</b>										
Taxes .....	\$ 9,551,576	\$ 9,970,214	\$ 10,652,020	\$ 10,888,272	\$ 11,758,767	\$ 12,052,117	\$ 11,980,586	\$ 15,444,361	\$ 15,467,501	\$ 16,094,540
Licenses and fees .....	524,927	540,234	564,781	588,526	629,370	661,265	685,196	699,141	717,508	740,723
Intergovernmental .....	3,490,865	3,745,396	3,751,334	3,873,583	4,248,709	4,358,109	5,165,068	6,004,765	6,949,683	7,704,116
Charges for sales and services .....	480,759	530,519	486,243	536,175	528,691	503,643	1,015,169	1,754,679	1,654,175	847,520
Investment income .....	203,872	195,202	194,900	193,945	226,190	221,835	158,280	141,433	94,362	79,329
Lottery receipts, net of prizes through 1986 <sup>(2)</sup> .....	593,115	557,481	1,341,631	1,472,311	1,575,312	1,529,835	1,520,943	1,374,271	1,440,784	1,574,949
Other <sup>(3)</sup> .....	122,191	231,346	185,341	153,580	281,251	389,318	411,195	343,661	348,727	171,555
<b>TOTAL REVENUES</b> .....	<b>\$ 14,967,305</b>	<b>\$ 15,770,392</b>	<b>\$ 17,176,250</b>	<b>\$ 17,706,392</b>	<b>\$ 19,248,290</b>	<b>\$ 19,716,122</b>	<b>\$ 20,936,437</b>	<b>\$ 25,762,311</b>	<b>\$ 26,672,740</b>	<b>\$ 27,212,732</b>

**EXPENDITURES BY FUNCTION**

General government <sup>(2)</sup> .....	\$ 829,609	\$ 803,909	\$ 1,516,385	\$ 1,741,126	\$ 1,873,466	\$ 1,921,076	\$ 1,890,388	\$ 1,917,410	\$ 2,004,638	\$ 2,152,254
Protection of persons and property .....	778,897	911,957	948,562	1,021,668	1,092,335	1,217,333	1,291,746	1,377,461	1,466,885	1,772,639
Public health and welfare .....	5,686,873	6,231,705	6,360,862	6,704,892	7,175,239	7,745,019	9,200,299	11,132,219	11,288,552	11,574,938
Public education .....	4,063,157	4,122,935	4,395,740	4,761,170	5,166,302	5,597,935	5,852,950	6,015,589	6,460,659	6,784,190
Conservation of natural resources .....	257,112	299,010	305,599	334,833	368,906	373,719	431,006	468,431	483,644	525,401
Economic development and assistance .....	158,107	187,614	206,355	346,037	349,767	363,950	315,362	302,028	284,940	272,212
Transportation .....	1,843,703	2,053,335	2,114,625	2,171,964	2,304,822	2,392,365	2,391,785	2,265,894	2,536,894	2,695,546
Capital outlay .....	345,881	463,671	476,118	274,336	229,753	168,807	298,506	207,168	418,062	210,083
Debt Service:										
Principal retirement .....	759,471	1,186,619	659,548	482,277	440,152	608,360	526,625	568,900	594,472	482,344
Interest and fiscal charges .....	358,358	407,066	405,701	408,968	448,482	455,574	452,986	487,479	430,947	291,731
<b>TOTAL EXPENDITURES</b> .....	<b>\$ 15,081,168</b>	<b>\$ 16,667,821</b>	<b>\$ 17,389,495</b>	<b>\$ 18,247,271</b>	<b>\$ 19,449,224</b>	<b>\$ 20,844,138</b>	<b>\$ 22,651,653</b>	<b>\$ 24,742,579</b>	<b>\$ 25,969,693</b>	<b>\$ 26,761,338</b>

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

(2) Prior to 1987, revenue and expenditures for lottery receipts and general government, respectively, were reported net of retailer commissions and retailer-paid prizes.

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

(4) 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>
1984	\$4,483,573	11,816	\$379
1985	4,535,008	11,772	385
1986	4,529,393	11,784	384
1987	4,558,839	11,812	386
1988	4,698,645	11,847	397
1989	4,705,202	11,866	397
1990	4,633,507	11,882	390
1991	4,787,512	11,958	400
1992	4,873,542	11,995	406
1993	5,040,938	12,048	418

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

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

TABLE 3

*For the Last Ten Fiscal Years*

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

For The Fiscal Year Ended June 30	Debt Service Requirements Funded by General Fund	Budgetary Basis General Fund Expenditures (1)	%
1985	\$ 359,200	\$11,223,622	3.20
1986	350,195	11,781,951	2.97
1987	371,702	12,395,674	3.00
1988	393,907	13,180,073	2.99
1989	381,617	13,949,111	2.74
1990	450,752	15,137,774	2.98
1991	456,325	16,251,111	2.81
1992	521,875	19,540,459	2.67
1993	497,045	19,986,749	2.49
1994	512,094	21,060,058	2.43

(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, 1994

COMMONWEALTH OF PENNSYLVANIA

Average annual tax revenues deposited in the previous five fiscal years .....	\$16,485,002,610
Constitutional factor .....	x 1.75
Constitutional debt limit for debt incurred without the approval of the electors .....	28,848,754,567
Less outstanding net debt (non electorate approved) .....	3,946,963,980
Legal debt margin .....	<u>\$24,901,790,587</u>

The formula for the legal debt limit is contained in Article VIII, Section 7(a) of the Pennsylvania Constitution, which provides:

No debt shall be incurred by or on behalf of the Commonwealth except by law and in accordance with the provisions of this section.

- (1) Debt may be incurred without limit to suppress insurrection, rehabilitate areas affected by man-made or natural disaster, or to implement unissued authority approved by the electors prior to the adoption of this article.
- (2) The Governor, State Treasurer and Auditor General, acting jointly, may (i) issue tax anticipation notes having a maturity within the fiscal year of issue and payable exclusively from revenues received in the same fiscal year, and (ii) incur debt for the purpose of refunding other debt, if such refunding debt matures within the term of the original debt.
- (3) Debt may be incurred without limit for purposes specifically itemized in the law authorizing such debt, if the question whether the debt shall be incurred has been submitted to the electors and approved by a majority of those voting on the question.
- (4) Debt may be incurred without the approval of the electors for capital projects specifically itemized in a capital budget if such debt will not cause the amount of all net debt outstanding to exceed one and three-quarters times the average of the annual tax revenues deposited in the previous five fiscal years as certified by the Auditor General. For the purposes of this subsection, debt outstanding shall not include debt incurred under clauses (1) and (2)(i), or debt incurred under clause (2)(ii) if the original debt would not be so considered, or debt incurred under subsection (3) unless the General Assembly shall so provide in the law authorizing such debt.

The figures above are abstracted from a certification of the Auditor General dated August 31, 1994.

SCHEDULE OF REVENUE BOND COVERAGE

TABLE 5

For the Last Ten Fiscal Years

COMMONWEALTH OF PENNSYLVANIA

Pennsylvania Turnpike Commission <sup>(b)</sup>							
(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	
1985	\$154,542	\$ 82,230	\$ 72,312	\$ 6,451	\$ 3,604	\$ 10,055	7.19
1986	162,539	93,648	68,891	4,662	3,381	8,043	8.57
1987	180,692	101,692	79,000	2,299	46,500	48,799	1.62
1988	221,807	100,875	120,932	3,225	56,514	59,739	2.02
1989	245,192	105,619	139,573	4,070	58,789	62,859	2.22
1990	252,373	113,546	138,827	123,940	73,051	196,991	.70
1991	246,985	115,103	131,882	64,135	75,811	139,946	.94
1992	312,079	113,217	198,862	7,450	76,628	84,078	2.37
1993	329,452	134,844	194,608	11,595	65,600	77,195	2.52
1994	344,617	142,915	201,702	9,405	70,892	80,297	2.51

Pennsylvania Industrial Development Authority <sup>(b)</sup>							
(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	
1985	\$24,658	\$1,783	\$22,875	\$ 6,735	\$13,167	\$19,902	1.15
1986	23,320	1,897	21,423	7,910	13,359	21,269	1.01
1987	23,370	1,574	21,796	8,620	12,433	21,053	1.04
1988	25,479	1,765	23,714	8,525	11,257	19,782	1.20
1989	29,477	2,223	27,254	8,505	10,584	19,089	1.43
1990	30,422	1,997	28,425	8,900	9,873	18,773	1.51
1991	28,963	2,055	26,908	8,440	11,015	19,455	1.38
1992	24,592	1,994	22,598	10,645	18,920	29,565	.76
1993	25,204	2,368	22,836	10,645	18,595	29,240	.78
1994	29,802	2,138	27,664	23,085	19,116	42,201	.66

Pennsylvania Housing Finance Agency <sup>(b)</sup>							
(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 <sup>(a)</sup>	Total	
1985	\$146,205	\$10,686	\$135,519	\$ 8,180	\$119,420	\$127,600	1.06
1986	168,441	8,438	160,003	13,386	142,332	155,718	1.03
1987	159,034	8,088	150,946	14,987	136,625	151,612	1.00
1988	162,172	8,593	153,579	15,960	138,508	154,468	.99
1989	182,535	8,402	174,133	20,226	148,327	168,553	1.03
1990	199,101	9,133	189,968	21,568	157,104	178,672	1.06
1991	214,580	9,944	204,636	25,173	153,305	178,478	1.15
1992	206,991	8,496	198,495	28,118	172,146	200,264	.99
1993	200,268	9,803	190,465	27,410	166,480	193,890	.98
1994	194,025	13,325	180,700	29,426	143,904	173,330	1.05

(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

Calendar Year	(Expressed in Thousands)		%
	United States	Pennsylvania	
1984	235,847	11,816	5.0
1985	237,950	11,772	4.9
1986	240,162	11,784	4.9
1987	242,321	11,812	4.9
1988	244,534	11,847	4.8
1989	246,820	11,866	4.8
1990	248,710	11,882	4.8
1991	252,160	11,958	4.7
1992	255,078	11,995	4.7
1993	257,908	12,048	4.7

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

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

TABLE 7

*For the Last Ten Calendar Years*

**COMMONWEALTH OF PENNSYLVANIA**

Calendar Year	(Expressed in Thousands)	
	Demand Deposits	Time and Savings Deposits
1984	\$5,263,282	\$39,356,857
1985	5,728,297	42,322,007
1986	6,632,325	45,351,526
1987	6,443,804	47,556,165
1988	6,558,607	50,347,975
1989	6,481,900	53,565,427
1990	6,453,740	50,542,812
1991	6,308,495	52,112,591
1992	7,150,024	51,434,858
1993	7,620,397	54,334,637

SOURCE: Pennsylvania Department of Banking

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

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
(Expressed in Thousands except percent)										
<b>COMMONWEALTH OF PENNSYLVANIA</b>										
<b>PENNSYLVANIA</b>										
Civilian labor force .....	5,479	5,527	5,637	5,653	5,764	5,857	5,901	5,933	6,004	5,893
Employment .....	4,981	5,084	5,251	5,333	5,470	5,592	5,583	5,524	5,554	5,479
Unemployment .....	498	443	386	320	294	265	318	409	450	414
Rate % .....	9.1	8.0	6.8	5.7	5.1	4.5	5.4	6.9	7.5	7.0
<b>UNITED STATES</b>										
Civilian labor force .....	113,544	115,461	117,835	119,865	121,669	123,869	124,788	125,303	126,982	128,040
Employment .....	105,005	107,150	109,598	112,440	114,968	117,342	117,914	116,877	117,598	119,306
Unemployment .....	8,539	8,311	8,237	7,425	6,701	6,527	6,874	8,426	9,384	8,734
Rate % .....	7.5	7.2	7.0	6.2	5.5	5.3	5.5	6.7	7.4	6.8

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	%
1984	3,101,163	151,386	4.9	13,336	12,998	97.5
1985	3,317,545	160,820	4.9	14,159	13,888	98.1
1986	3,519,364	169,697	4.8	14,910	14,715	98.7
1987	3,754,577	180,559	4.8	15,641	15,449	98.8
1988	4,063,045	195,107	4.8	16,615	16,468	99.1
1989	4,367,719	209,367	4.8	17,696	17,644	99.7
1990	4,648,867	222,693	4.8	18,635	18,725	100.5
1991	4,813,897	230,946	4.8	19,091	19,313	101.2
1992	5,061,045	243,222	4.8	19,841	20,253	102.1
1993	5,368,962	257,248	4.8	20,817	21,352	102.6

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

THIRTY LARGEST NONGOVERNMENTAL EMPLOYERS

TABLE 10

*For the Calendar Year 1993*

COMMONWEALTH OF PENNSYLVANIA

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

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COMMONWEALTH OF PENNSYLVANIA

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

SOURCE: The *Fortune* 500 and the *Forbes* 500 listings, published April 1994

JUNE 30, 1994

## COMMONWEALTH OF PENNSYLVANIA

Date of Ratification of U.S. Constitution	December 12, 1787
Form of Government	Legislative-Executive-Judicial
Miles of State Highway	40,542
Land Area - in square miles	44,888

State Police Protection:	
Number of Stations	107
Number of State Police	4,311

Higher Education (Universities, Colleges and  
Community Colleges):

Number of campuses in state	235
Number of educators	22,466
Number of students	632,585

## Recreation:

Number of State Parks	114
Area of State Parks	275,865 Acres
Area of State Forests	2,092,292 Acres

## SOURCE:

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