

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For Fiscal Year Ended June 30, 1995**



**Commonwealth of Pennsylvania**  
**Tom Ridge**  
**Governor**

**Prepared By:**

**Office of the Budget**  
***Robert A. Bittenbender, Secretary***

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

**Commonwealth of Pennsylvania  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 1995**

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COMMONWEALTH OF PENNSYLVANIA  
GOVERNOR'S OFFICE  
HARRISBURG

December 15, 1995

ROBERT A. BITTENBENDER  
SECRETARY  
OFFICE OF THE BUDGET

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

This Comprehensive Annual Financial Report (CAFR) of the Commonwealth of Pennsylvania represents our 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, 1995, 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.

Pennsylvania's economic direction generally follows that of the nation. Consequently, the Commonwealth benefited from a strong national economy in the 1994-95 fiscal year. Unemployment in Pennsylvania fell 4 percent and real personal income increased 3.4 percent from the quarter ended June 1994 to the quarter ended June 1995. These economic trends contributed to a 4.7 percent increase in fiscal year 1994-95 General Fund budgetary basis tax revenues over the prior fiscal year. The General Fund tax revenue growth for fiscal year 1994-95 was below the 6.4 percent growth rate in the prior fiscal year due, in large part, to a tax rate reduction and an increase in tax refunds in the 1994-95 fiscal year. Total budgetary basis revenues of the General Fund for the 1994-95 fiscal year rose 5.7 percent, a modest increase from the 5.5 percent growth rate in the prior fiscal year.

On a budgetary basis, the Commonwealth's General Fund ended the 1994-95 fiscal year with a \$540 million unreserved/undesignated fund balance prior to reserving \$111 million for transfer to the Tax Stabilization Reserve (Rainy Day) Fund.

Education continues to be the cornerstone of Pennsylvania's future. We provided \$3.2 billion to our public schools through the Basic Education Funding program. Total funding for basic education was \$5.4 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 \$1.4 billion for higher education institutions and students.

The Commonwealth continued its long-term commitment to economic development by reducing business taxes and appropriating significant funds for loans and grants to employers. Among these programs were \$13 million to the Industrial Communities Program to restore blighted industrial sites to productive use; \$12.5 million for the Business Infrastructure Development Program which makes grants and loans to local sponsors for specific infrastructure improvements that complement private industrial development; \$6.8 million for the Industrial Resource Centers Program which assists traditional and emerging manufacturing firms with implementing modern manufacturing technologies; \$86 million from the Sunny Day Fund to help private industries expand and to attract new businesses to Pennsylvania; and \$39.5 million for the Housing and Redevelopment Program which provides grants to rebuild blighted neighborhoods and to rehabilitate low and moderate-income housing.

During the fiscal year ended June 30, 1995, capacity for incarcerated offenders increased by over 3,900 beds as additional cells were occupied at five correctional institutions opened in the prior fiscal year. In addition, construction continued on a new 1,000 cell prison in Clearfield County which is scheduled to open in January 1996.

The Commonwealth continued to support its veterans by continuing renovations at the Southeastern Veterans Home by providing 192 new nursing beds, and opening the newly constructed veterans home in Scranton.

During the 1994-95 fiscal year, several major pieces of legislation were enacted that created new programs or expanded existing programs:

- Act 1995-21 made changes to the State Tax Reform Code for 1995-96 including corporate net income tax reductions, increasing corporate net operating loss deductions, providing for double weighting of the sales factor in corporate tax apportionment calculations, greatly reducing the "widows tax," repealing a 2 percent annuity tax and creating a tax amnesty program.
- Three related acts expanded environmental cleanup opportunities by limiting liability of certain persons to encourage the reuse of industrial and commercial sites: Act 1995-2 provided for the recycling of existing industrial and commercial sites by providing for liability for cleanup by new industries and tenants, and establishing new funds, the Voluntary Cleanup Loan Fund, the Industrial Land Recycling Fund and the Industrial Sites Cleanup Fund, to aid in industrial sites cleanups; Act 1995-3 limited environmental liability for economic development agencies, financiers and fiduciaries; and Act 1995-4 provided grants for conducting assessments of industrial sites and established a fund to provide the funding of such assessments.
- Act 1995-18 provided for the division of the Department of Environmental Resources into the Department of Environmental Protection to enforce environmental laws and the Department of Conservation and Natural Resources to operate State parks and forests. This act is effective July 1, 1995.
- Act 1995-20 made numerous revisions to the Public Welfare Code including abolishing transitionally needy cash benefits, implementing workfare and job training programs, authorizing additional fraud detection and prevention measures, limiting benefits for teen pregnancy costs, and providing for expedited rulemaking for changes to pharmacy, drug and alcohol, hospital and nursing home reimbursement programs.

Also, beginning in January 1995, there was a Special Session of the Legislature dealing with crime. Various laws enacted in the portion of the Special Session in the 1994-95 fiscal year include: increasing the penalties for various crimes (Special Session Acts 1995-3, 1995-5, and 1995-10); requiring the Governor to sign execution warrants within 90 days of receipt of court review (Special Session Act 1995-4); changing various juvenile offender provisions including eliminating the automatic expungement of juvenile records (Special Session Act 1995-7), allowing for the dissemination of juvenile fingerprints among law enforcement agencies (Special Session Act 1995-6), allowing juvenile proceedings to be open to the public for certain violent offenses (Special Session Act 1995-11), and allowing the use of juvenile records in adult court (Special Session Act 1995-13); creating the Office of Victim Advocate in the Board of Probation and Parole (Special Session Act 1995-8); providing for mandatory restitution for adult offenders (Special Session Act 1995-12); providing for DNA testing of sexual and violent offenders (Special Session Act 1995-14);

and providing for criminal history checks for purchasers of handguns, rifles and shotguns (Special Session Act 1995-17).

The Commonwealth has 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 \$8.3 billion in the 1994-95 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 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 1994-95 totaling \$287 million.

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

Sincerely,

A handwritten signature in black ink that reads "Robert A. Bittenbender". The signature is written in a cursive style with a long, sweeping underline.

Robert A. Bittenbender  
Secretary  
Office of the Budget

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

December 15, 1995

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

Dear Secretary Bittenbender:

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, 1995. 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:



Ben Franklin/IRC Partnership Fund—Governmental Fund  
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 Employes' Retirement System—Fiduciary Fund  
State Employes' 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.

The College and University Funds are reported on the accrual basis of accounting in accordance with the National Association of College and University Business Officers' *College and University Business Administration* and the American Institute of Certified Public Accountants' *Audits of Colleges and Universities* for institutions of higher education.

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

## ECONOMIC CONDITION AND OUTLOOK

The first three quarters of 1995 have been a period of slower growth in the adjusted gross domestic product than the growth recorded in 1994. In February 1994 interest rate increases were initiated by the Federal Reserve Board in order to avoid inflationary pressure. Current economic data appear to confirm that the Federal Reserve Board's desired "soft landing" for the economy has been achieved. Barring any unforeseen major changes in the economy, both the gross domestic product and price data have growth rates that are consistent with continued moderate economic expansion expected during the next year. While the slowdown in national economic growth was desired, to avoid a possible recession, the slower economic growth rate has negative consequences in job and income growth, particularly for Pennsylvania.

Since the beginning of 1995, employment and personal income growth in Pennsylvania has slowed substantially. Despite the slower rate of growth, the number of unemployed workers and the unemployment rate continue to gradually decline. In September 1995 the Pennsylvania unemployment rate was 6.4 percent, an improvement from 6.6 percent during September 1994. Continuing economic growth has helped to produce gains in tax revenue. General Fund tax collections through the first quarter of the 1995-96 fiscal year were \$10 million above estimated collections, and 2.6 percent above the collections of the first quarter of the 1994-95 fiscal year, even though Pennsylvania enacted tax cuts for the 1995-96 fiscal year.

## THE GENERAL FUND

The General Fund, the Commonwealth's largest fund, is the focal point in any assessment of Pennsylvania's financial position. It accounts for all revenues and receipts which are not required by law to be accounted for or deposited elsewhere and for the major portion of Commonwealth expenditures. Tax receipts, principally personal and corporate income and sales and use taxes, constitute approximately 63.9 percent of the General Fund budgetary basis revenues. Major fund expenditures are for general government, protection of persons and property, public health and welfare, public education, conservation of natural resources, economic development, transportation and debt service on all obligations except those incurred for highway or other special revenue fund purposes. A comparison of how the Commonwealth has operated within its adopted General Fund budget, as amended, is presented in the "Combined Statement of Revenues, Expenditures and Changes in Unreserved/Undesignated Fund Balances—Budget and Actual (Budgetary Basis)," included in the GPFS.

**Budgetary Basis:** At June 30, 1995 the Commonwealth reported an unreserved/undesignated fund balance (budgetary basis) of \$429.0 million in the General Fund. This compares to a budgetary basis fund balance of \$302.2 million at June 30, 1994. The increase in budgetary basis fund balance for the fiscal year ended June 30, 1995 was the result of revenue collections totaling \$24,147.9 million less appropriation authorizations totaling \$24,057.9 million, plus other net financing sources totaling \$36.8 million. Included in the \$24,057.9 million appropriation authorizations are \$65.5 million of state supplemental appropriations and \$276.1 million in federal supplemental appropriations authorized during the fiscal year.

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

<u>At June 30</u>	<u>Unreserved/ Undesignated Fund Balance</u>	<u>Increase (Decrease)</u>
1991	\$ ( 450.9 )	\$ ( 587.1 )
1992	8.8	459.7
1993	214.9	206.1
1994	302.2	87.3
1995	429.0	126.8

**Modified Accrual Basis:** At June 30, 1995 the Commonwealth's General Fund reported a fund balance of \$688.3 million, a decrease of \$88.0 million from the \$776.3 million fund balance, as restated, at June 30, 1994. Total assets decreased by \$72.8 million to \$3,185.2 million. Liabilities increased \$15.2 million to \$2,496.9 million. These changes and others are reflected in the General Fund summary comparative balance sheet that follows.

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

	<u>June 30, 1995</u>	<u>June 30, 1994</u>	<u>Increase (Decrease)</u>
<b>Assets</b>			
Cash and temporary investments .....	\$ 1,367.5	\$ 1,168.1	\$ 199.4
Receivables, net .....	846.8	919.7	(72.9)
Due from other funds/component units/governments .....	965.3	1,168.0	(202.7)
Other assets .....	5.6	2.2	3.4
<b>Total Assets</b> .....	<u>\$ 3,185.2</u>	<u>\$ 3,258.0</u>	<u>\$ (72.8)</u>
<b>Liabilities</b>			
Accounts payable and other accrued liabilities .....	\$ 1,829.6	\$ 1,849.2	\$ (19.6)
Due to other funds/component units/governments .....	649.7	612.9	36.8
Deferred revenue .....	17.6	19.6	(2.0)
<b>Total Liabilities</b> .....	<u>2,496.9</u>	<u>2,481.7</u>	<u>15.2</u>
<b>Fund Balance</b>			
Reserved .....	245.4	364.9	(119.5)
Unreserved:			
Designated .....	442.9	411.4	31.5
<b>Total Fund Balance</b> .....	<u>688.3</u>	<u>776.3</u>	<u>(88.0)</u>
<b>Total Liabilities and Fund Balance</b> .....	<u>\$ 3,185.2</u>	<u>\$ 3,258.0</u>	<u>\$ (72.8)</u>

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

The Commonwealth's governmental fund types include the General Fund, the Special Revenue Funds, which includes the Motor License Fund, the Debt Service Funds and the Capital Projects Funds. These funds account for most general operating revenues and expenditures. Their combined fund balances at June 30, 1995 increased by \$62.3 million to \$1,927.6 million from a \$1,865.3 million balance, as restated, at the beginning of the fiscal year. Unreserved/undesignated fund balances at June 30, 1995 amount to \$104.8 million as compared to a \$255.6 million unreserved/undesignated fund balance a year ago. Comparative summaries of general governmental revenues by source and expenditures by function (expressed in millions) follow.

**General Governmental Revenues by Source.** Revenues of the Commonwealth's General, Special Revenue, Debt Service and Capital Projects Funds totalled \$28,527 million. This represents a 4.4 percent increase over the previous year. Taxes constituted 59.6 percent of general governmental revenues; intergovernmental revenues, primarily Federal funds, constituted 27.9 percent.

<u>Revenue Source</u>	<u>Fiscal Years Ended</u>		<u>Increase (Decrease)</u>
	<u>June 30, 1995</u>	<u>June 30, 1994</u>	
Taxes .....	\$ 16,990	\$ 16,095	\$ 895
Licenses and fees .....	773	741	32
Intergovernmental .....	7,961	7,822	139
Charges for goods and services .....	895	847	48
Investment income .....	145	79	66
Lottery receipts .....	1,596	1,575	21
Lease rental principal and interest .....	2	4	(2)
Other .....	165	168	(3)
<b>Total Revenues .....</b>	<b><u>\$ 28,527</u></b>	<b><u>\$ 27,331</u></b>	<b><u>\$ 1,196</u></b>

Intergovernmental revenues increased \$139 million due mainly to the increased participation in the Federal Medicare Program.

Tax revenue increased \$895 million due primarily to an increase in employment and an improvement in the economic condition of the Commonwealth.

<u>Taxes by Type</u>	<u>Fiscal Years Ended</u>		<u>Increase (Decrease)</u>
	<u>June 30, 1995</u>	<u>June 30, 1994</u>	
Personal income .....	\$ 4,979	\$ 4,833	\$ 146
Sales and Use .....	5,613	5,249	364
Corporation .....	3,826	3,448	378
Liquid Fuels .....	730	706	24
Other .....	1,842	1,859	(17)
<b>Total Tax Revenue .....</b>	<b><u>\$ 16,990</u></b>	<b><u>\$ 16,095</u></b>	<b><u>\$ 895</u></b>

**General Governmental Expenditures by Function.** Expenditures of the Commonwealth's General, Special Revenue, Debt Service and Capital Projects Funds totalled \$28,263 million, an increase of \$1,267 million over the previous year. Of the total amount expended, public health and welfare accounted for 43.3 percent, public education for 24.8 percent and transportation for 9.8 percent.

<u>Expenditure Function</u>	<u>Fiscal Years Ended</u>		<u>Increase (Decrease)</u>
	<u>June 30, 1995</u>	<u>June 30, 1994</u>	
General Government .....	\$ 2,313	\$ 2,152	\$ 161
Protection of persons and property .....	1,927	1,773	154
Public health and welfare .....	12,250	11,810	440
Public education .....	7,007	6,784	223
Conservation of natural resources .....	572	525	47
Economic development and assistance .....	338	272	66
Transportation .....	2,773	2,696	77
Capital outlay .....	265	210	55
Debt Service:			
Principal retirement .....	517	482	35
Interest and fiscal charges .....	301	292	9
Total Expenditures .....	<u>\$ 28,263</u>	<u>\$ 26,996</u>	<u>\$ 1,267</u>

Expenditures for public health and welfare increased by \$440 million or 3.7 percent over the previous fiscal year. Increases in financial support to the economically needy, aid to families with dependent children, and medical assistance comprise the largest portion of the public health and welfare expenditure increase.

Expenditures for public education increased by \$223 million or 3.3 percent over the previous fiscal year. Areas of increase include aid to local school districts for basic instruction, vocational instruction, debt service, pupil transportation, employe retirement including social security, and special education programs.

#### **DISCRETELY PRESENTED COMPONENT UNITS— GOVERNMENTAL FUNDS**

The discretely presented component unit governmental fund type includes the Pennsylvania Higher Educational Facilities Authority, the Ben Franklin/IRC Partnership and the State Public School Building Authority. Their combined fund balances at June 30, 1995 increased by \$9.9 million to \$278.8 million from a \$268.9 million balance at the beginning of the fiscal year.

Revenues of the component unit governmental funds totaled \$221.2 million at June 30, 1995. Lease rental principal and interest revenue of \$178.8 million represents 80.8 percent of total revenues.

Expenditures of the component unit governmental funds totaled \$558.5 million at June 30, 1995. Of the total amount expended, debt service principal and interest expenditures were \$249.7 million or 44.7 percent of total expenditures and capital outlay was \$274.2 million or 49.1 percent.

#### **DEBT ADMINISTRATION**

The constitution of the Commonwealth of Pennsylvania permits the incurrence of debt, without approval of the electorate, for capital projects specifically authorized in a capital budget. Capital project debt outstanding cannot exceed one and three quarters (1.75) times the average of the annual tax revenues deposited in all funds during the previous five fiscal years. The certified constitutional debt limit at August 31, 1995 was \$30.9 billion. Outstanding capital project debt at August 31, 1995 amounted to \$3.9 billion.

In addition to constitutionally authorized capital project debt, the Commonwealth may incur debt for electorate approved programs, such as economic revitalization, land and water development, 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, 1995 was \$5,041 million. Total debt service transfers paid from General Fund and Motor License Fund appropriations during the fiscal year ended June 30, 1995 amounted to \$764.1 million.

During the fiscal year ending June 30, 1996 the Office of the Budget projects general obligation bond issuances amounting to \$611 million, an increase of \$141 million as compared to actual bond issuances of \$470 million during the fiscal year ended June 30, 1995. This forecast reflects the need to make investments in the Commonwealth's capital infrastructure, particularly prisons, highway bridges, mass transportation, water supply systems and parks and recreational facilities. Debt principal retirements of \$448 million are forecast during fiscal 1996. 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>
1989	\$ 4,705
1990	4,634
1991	4,788
1992	4,874
1993	5,041
1994	5,100
1995	5,041

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

During the fiscal year ending June 30, 1996, total General Fund revenues and budgeted expenditures, including Federal funds, are expected to increase by 0.3 percent and 2.7 percent, respectively. As a result of tax changes and expenditure patterns that are likely to affect the cash receipts flow, the Commonwealth anticipates issuance of \$500 million in General Fund tax anticipation notes during the 1995-96 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>
1992	\$ 1,450	10 %
1993	975	7
1994	400	3
1995	600	4
1996 (Estimated)	500	3

#### 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, 1995 as depicted below.

<u>Investment Type</u>	<u>Average Maturity (days)</u>	<u>Percent</u>
United States Treasury and Agency Obligations .....	666	20.8
Repurchase Agreements .....	28	64.8
Certificates of Deposit .....	195	2.5
Corporate Bonds and Notes .....	652	0.2
Other .....	231	11.7
		<u>100.0</u>

Temporary investments held by the Treasury Department amounted to \$6.6 billion of the \$8.3 billion reported on the combined balance sheet as of June 30, 1995. Interest on investments controlled by the Treasury Department during the fiscal year amounted to \$349 million at an average yield of 5.6 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 annuitant medical/hospital benefits and 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 \$25.3 million; construction in progress at June 30, 1995 amounted to \$231 million. Authorized but unissued general obligation bonds at June 30, 1995 totalled \$16.6 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, 1995 of \$304.5 million, which represents an increase of \$113.1 million over the \$191.4 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 \$16,009 million, compared to \$15,778 million in the previous year. Total fund balances of the expendable trust funds increased \$601 million over the previous fiscal year, for total fund balances of \$2,678 million at June 30, 1995. The State Employees' Retirement System, the pension trust fund, reported a fund balance of \$13,331 million, a decrease of \$370 million from 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, 1995, totaling \$1,736 million, which represents an increase of \$82 million from the \$1,654 million retained earnings reported the previous year.

The Public School Employees' Retirement System, a fiduciary type fund component unit, pension trust fund, reported a fund balance of \$25,022 million at June 30, 1995, which represents a \$1,570 million increase over the \$23,452 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, 1995 was \$247 million, compared to \$235 million at June 30, 1994.

### 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, 1995 amounted to \$3,916 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, 1994. This represents the ninth consecutive year the Commonwealth of Pennsylvania has received this award.

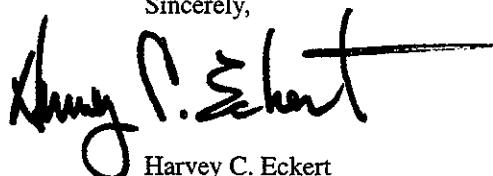
To merit a certificate of achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report which conforms to GFOA standards and satisfies both generally accepted accounting principles and applicable legal requirements. A certificate of achievement 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, 1995 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

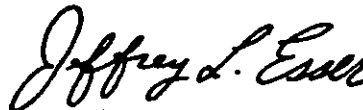
## Commonwealth of Pennsylvania

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 1994

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.

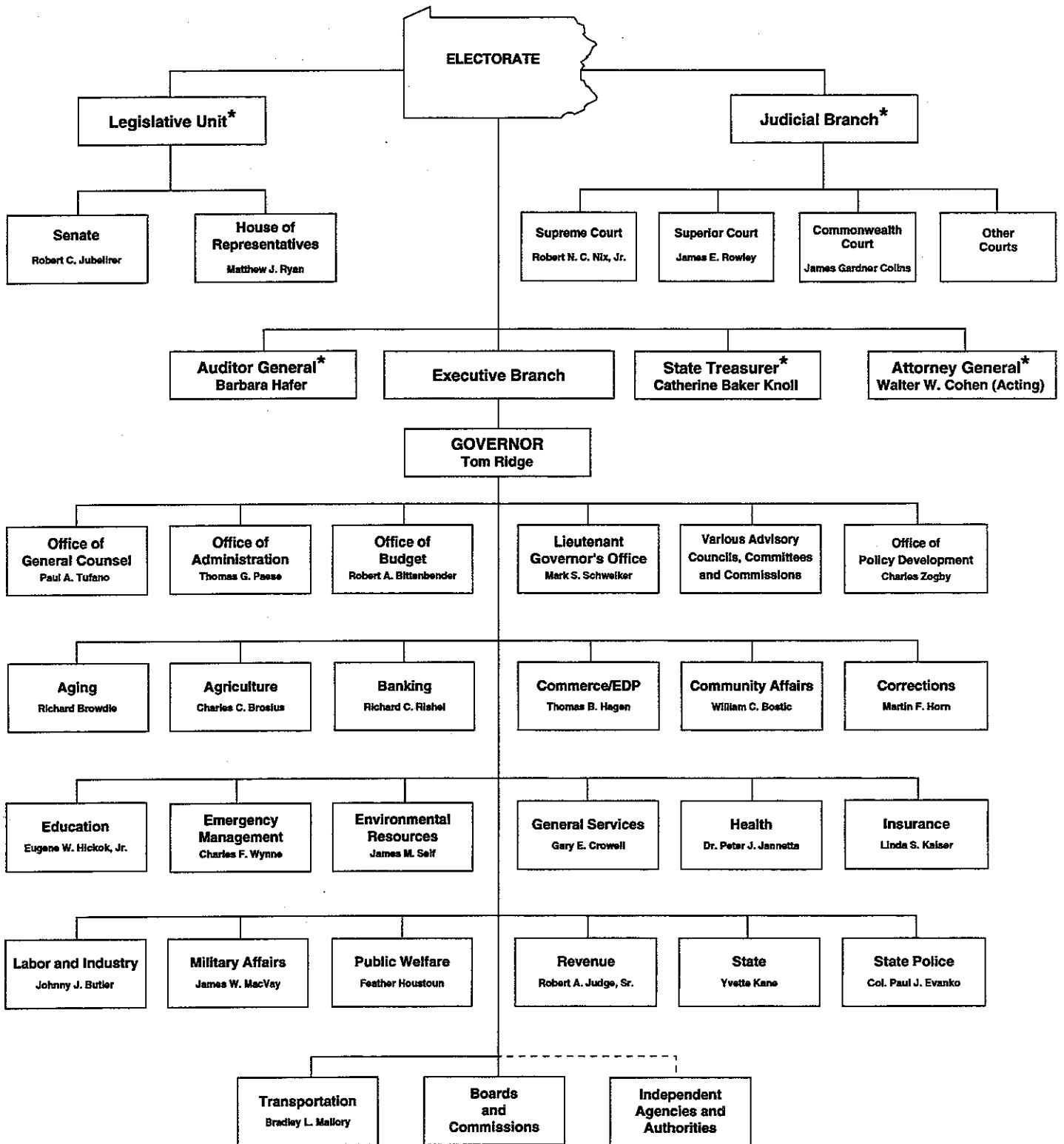


President



Executive Director

**COMMONWEALTH OF PENNSYLVANIA**  
**ORGANIZATION AND OFFICIALS CHART**  
**JUNE 30, 1995**



\* 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 Tom Ridge, Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania

We have jointly audited the general purpose financial statements of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 1995, 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 76 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 81 percent of total assets and 85 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.

As discussed in Note B, the insurance loss liability of the State Workmen's Insurance Fund (SWIF), an Enterprise Fund, is based on actuarial analysis of historical experience adjusted to estimate the impact of Act 44 and changes in claims management practices adopted by SWIF management. Because of the length of time required for the actual insurance loss liability to be determined and the uncertainty regarding whether the adjusted data will be reflective of future claim payments, the actual liability may vary significantly from the estimated amount provided for in the balance sheet.

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, 1995, and the results of its operations and the cash flows of its Proprietary Funds for the fiscal year then ended, in conformity with generally accepted accounting principles.

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

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

*Barbara Hafer*

*KPMG Peat Marwick LLP*

November 17, 1995, except for Note T as  
to which the date is December 13, 1995

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# General Purpose Financial Statements



Commonwealth of Pennsylvania

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

June 30, 1995

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

ASSETS AND OTHER DEBITS	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only) Primary Government	Component Units	Total (Memorandum Only) Reporting Entity
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
Cash—Note D	\$ 62,593	\$ 18,249	\$ 4	\$ 4	\$ 9,954	\$ 277	\$ 17,073	\$	\$	\$ 108,156	\$ 100,444	\$ 208,600
Cash with fiscal agents—Note D		3	12,403				1,906,694			1,919,100	23,531	1,942,631
Temporary investments—Note D	1,304,915	1,179,352	911	230,740	549,734	13,008	1,350,491			4,629,151	3,700,539	8,329,690
Long-term investments—Note D		7,905			1,121,095		13,512,907			14,641,907	24,043,142	38,685,049
Receivables, net:												
Taxes—Note G	780,973	133,465					392,556			1,306,994		1,306,994
Accounts	51,682	23,568	12,400		56,294	13	72,913			216,870	44,183	261,053
Accrued interest	13,346	6,212	1,321	1,243	21,881	68	97,696			141,767	286,931	428,698
Notes and loans—Note G		89,844			245,569					335,413	5,025,880	5,361,293
Lease rental—Note G			3,319							3,319	2,326,338	2,329,657
Pension contributions											218,977	218,977
Other	749	7,241					321			8,370	7,472	15,842
Due from other funds—Note H	34,664	60,766	233	1,173	3,367	15,659	79,210			195,072	137,071	332,143
Due from primary government—Note H											106,937	106,937
Due from component units—Note H	2,608	1,269	35,753			1,007	9,184			49,821	38,460	49,821
Due from other governments—Note F	857,584	110,802		1,061		257	25,307			995,011		1,033,471
Advances to other funds—Note H	70,475	3,000								73,475		73,475
Inventory					98,730	14,701				113,431	12,598	126,029
Fixed assets					88,334	59,745	759	3,916,034		4,064,872	3,795,374	7,860,246
Less: accumulated depreciation					(65,267)	(30,707)	(155)			(96,129)	(1,474,914)	(1,571,043)
Other assets	5,584				1,214	2,232	105,361			114,391	515,843	630,234
<b>Other Debits:</b>												
Amounts available in Commonwealth Funds for:												
Retirement of general obligation bonds												
Retirement of other bonds												
Other general long-term obligations—Note B												
TOTAL ASSETS AND OTHER DEBITS	\$ 3,185,173	\$ 1,641,676	\$ 66,346	\$ 234,221	\$ 2,130,905	\$ 76,319	\$ 17,570,317	\$ 3,916,034	\$ 8,682,608	\$ 37,503,599	\$ 41,328,132	\$ 78,831,731
Amounts to be provided for the retirement of:												
General obligation bonds												
Other bonds												
Other general long-term obligations												
TOTAL ASSETS AND OTHER DEBITS												

— See notes to financial statements. —



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

**June 30, 1995**

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

**LIABILITIES, EQUITY AND OTHER CREDITS**  
**Liabilities:**

Accounts payable and accrued liabilities .....  
 Investment purchases payable .....  
 Obligations under reverse repurchase agreements .....  
 Tax refunds payable .....  
 Matured debt principal and interest payable .....  
 Due to other funds—Note H .....  
 Due to primary government—Note H .....  
 Due to component units—Note H .....  
 Due to other governments .....  
 Deferred revenue .....  
 Notes payable—Note J .....  
 Demand revenue bonds payable—Note J .....  
 Advances from other funds—Note H .....  
 Other liabilities .....  
 Insurance loss liability .....  
 General obligation bonds payable—Note K .....  
 Bonds payable—Note K .....  
 Revenue bonds payable—Note K .....  
 Capital lease and other general long-term obligations—Note K .....

**TOTAL LIABILITIES**

**Equity and Other Credits:**

Contributed capital—Note H .....  
 Investment in fixed assets .....  
 Retained earnings:  
   Reserved—Note B .....  
 Unreserved .....  
 Fund balance:  
   Reserved for:  
     Encumbrances .....  
     Advances—Note B .....  
     Pension benefits .....  
     Loans receivable .....  
     Long-term investments .....  
     Endowment and similar funds .....  
     Restricted fund balance .....  
     Other—Note B .....  
   Unreserved:  
     Capital projects .....  
     Debt service:  
       Retirement of general obligation bonds .....  
       Retirement of other bonds .....  
     Highways .....  
     Other—Note B .....  
     Undesignated (deficit)—Note C .....

**TOTAL EQUITY AND OTHER CREDITS**

**TOTAL LIABILITIES, EQUITY AND OTHER CREDITS**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only) Primary Government	Component Units	Total (Memorandum Only) Reporting Entity						
	General		Special Revenue		Debt Service			Capital Projects					Enterprise		Internal Service		Trust and Agency	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	1,420,508	502,969	34	49,920	87,231	14,077	430,665			2,505,404	310,451	2,815,855						
	407,418	738	12,403			16,872	16,872			16,872	858,481	858,481						
	122,557	58,399	1,874	900	25,587	3,612	888			12,403	137,071	12,403						
	103,642	3,531								213,817	48,520	350,888						
	423,452	27,227		581	230	30	464,983			916,503	10,722	927,225						
	17,596	22,865	15,719		79,125	1				135,306	2,393,812	2,529,118						
					713	2,732				3,445	676,429	679,874						
					68,000					107,173	48,520	107,173						
	1,696	5,175			23,091					916,503	537,958	1,203,966						
			582		1,250,130					1,250,130	546,000	1,250,130						
										5,040,662	2,419,151	5,040,662						
											4,625,202	4,625,202						
	2,496,869	620,904	30,612	51,401	1,534,107	20,452	1,560,959			3,641,946	333,862	3,975,808						
					292,279	9,219				301,498	1,146,652	1,448,150						
										3,916,034	216,351	4,132,385						
					110,603					110,603	1,296,631	1,407,234						
					193,916	46,648				240,564	439,176	679,740						
											33,232	975,168						
	171,662	208,799		548,024			13,451			941,936	33,232	70,475						
	70,475									70,475		70,475						
							13,330,963			13,330,963	25,021,809	38,352,772						
										89,844	28,400	118,244						
										260,061	61,297	321,358						
											45,907	45,907						
											49,137	49,137						
	3,268	399								3,667	73,248	76,915						
										48,696	125,419	174,115						
			36,321							36,321		36,321						
											59,883	59,883						
										163,703		163,703						
	442,899	30,832					3,178			476,909	4	476,913						
		519,290	(587)	(413,900)			2,409,610			2,514,413	(166,673)	2,347,740						
	688,304	1,020,772	35,734	182,820	596,798	55,867	16,009,358			22,505,687	28,430,473	50,936,160						
	\$ 3,185,173	\$ 1,641,676	\$ 66,346	\$ 234,221	\$ 2,130,905	\$ 76,319	\$ 17,570,317	\$ 3,916,034	\$ 8,682,608	\$ 37,503,599	\$ 41,328,132	\$ 78,831,731						

**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, 1995*

**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 .....	\$ 15,425,568	\$ 1,533,426	\$ .....	\$ 31,204	\$ 5,853	\$ 16,996,051	\$ .....	\$ 16,996,051
Unemployment taxes .....	.....	.....	.....	.....	1,930,269	1,930,269	.....	1,930,269
License and fees .....	159,479	613,984	.....	.....	98,190	871,653	.....	871,653
Intergovernmental .....	6,958,561	996,412	.....	5,024	74,326	8,034,323	.....	8,034,323
Charges for sales and services .....	696,841	195,440	.....	2,571	.....	894,852	2,464	897,316
Investment income .....	77,514	55,785	2,576	9,249	131,305	276,429	16,457	292,886
Lottery revenues .....	.....	1,595,726	.....	.....	.....	1,595,726	.....	1,595,726
Lease rental principal and interest .....	.....	.....	2,159	.....	.....	2,159	178,831	180,990
Other .....	99,620	64,789	491	393	35,186	200,479	23,428	223,907
<b>TOTAL REVENUES</b> .....	<b>23,417,583</b>	<b>5,055,562</b>	<b>5,226</b>	<b>48,441</b>	<b>2,275,129</b>	<b>30,801,941</b>	<b>221,180</b>	<b>31,023,121</b>
<b>EXPENDITURES:</b>								
Current:								
General government .....	1,153,973	1,157,315	.....	1,830	7,793	2,320,911	.....	2,320,911
Protection of persons and property .....	1,866,736	13,788	.....	46,704	43,639	1,970,867	.....	1,970,867
Public health and welfare .....	11,584,252	665,477	.....	.....	1,622,843	13,872,572	.....	13,872,572
Public education .....	7,006,744	.....	.....	.....	.....	7,006,744	1,678	7,008,422
Conservation of natural resources .....	351,889	213,125	.....	6,488	.....	571,502	.....	571,502
Economic development and assistance .....	245,844	58,008	.....	34,525	.....	338,377	32,960	371,337
Transportation .....	286,415	2,381,793	.....	104,878	.....	2,773,086	.....	2,773,086
Capital outlay .....	18,667	48,558	.....	197,239	.....	264,464	274,185	538,649
Debt Service:								
Principal retirement .....	.....	.....	516,705	.....	.....	516,705	120,625	637,330
Interest and fiscal charges .....	19,841	9	281,618	12	.....	301,480	129,088	430,568
<b>TOTAL EXPENDITURES</b> .....	<b>22,534,361</b>	<b>4,538,073</b>	<b>798,323</b>	<b>391,676</b>	<b>1,674,275</b>	<b>29,936,708</b>	<b>558,536</b>	<b>30,495,244</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>883,222</b>	<b>517,489</b>	<b>(793,097)</b>	<b>(343,235)</b>	<b>600,854</b>	<b>865,233</b>	<b>(337,356)</b>	<b>527,877</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Bond proceeds .....	.....	9,896	.....	439,143	.....	449,039	310,025	759,064
Refunding bond proceeds .....	.....	.....	12,618	.....	.....	12,618	27,690	40,308
Operating transfers in—Note H .....	341,328	323,799	765,745	.....	.....	1,430,872	392,056	1,822,928
Operating transfers out—Note H .....	(603,819)	(769,205)	(1,938)	(25,939)	(6)	(1,400,907)	(392,056)	(1,792,963)
Operating transfers from primary government—Note H .....	.....	.....	.....	.....	.....	.....	32,290	32,290
Operating transfers to component units— Note H .....	(683,224)	.....	.....	.....	.....	(683,224)	.....	(683,224)
Payment to refunded bond escrow agent .....	.....	.....	(12,618)	.....	.....	(12,618)	(22,727)	(35,345)
Capital lease and installment purchase obligations .....	12,666	24,043	.....	.....	.....	36,709	.....	36,709
<b>NET OTHER FINANCING SOURCES (USES)</b> .....	<b>(933,049)</b>	<b>(411,467)</b>	<b>763,807</b>	<b>413,204</b>	<b>(6)</b>	<b>(167,511)</b>	<b>347,278</b>	<b>179,767</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b> .....	<b>(49,827)</b>	<b>106,022</b>	<b>(29,290)</b>	<b>69,969</b>	<b>600,848</b>	<b>697,722</b>	<b>9,922</b>	<b>707,644</b>
<b>FUND BALANCES, AS RESTATED, JULY 1, 1994—Note C</b> .....	<b>776,281</b>	<b>912,012</b>	<b>64,182</b>	<b>112,851</b>	<b>2,077,547</b>	<b>3,942,873</b>	<b>268,867</b>	<b>4,211,740</b>
<b>RESIDUAL EQUITY TRANSFERS— NOTE H</b> .....	<b>(38,150)</b>	<b>2,738</b>	<b>842</b>	<b>.....</b>	<b>.....</b>	<b>(34,570)</b>	<b>.....</b>	<b>(34,570)</b>
<b>FUND BALANCES JUNE 30, 1995</b> .....	<b>\$ 688,304</b>	<b>\$ 1,020,772</b>	<b>\$ 35,734</b>	<b>\$ 182,820</b>	<b>\$ 2,678,395</b>	<b>\$ 4,606,025</b>	<b>\$ 278,789</b>	<b>\$ 4,884,814</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, 1995*

**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>						
<b>State Programs:</b>						
Taxes, net of refunds .....	\$ 15,005,800	\$ 15,425,653	\$ 419,853	\$ 980,014	\$ 1,008,155	\$ 28,141
Lottery receipts .....	....	....	....	875,372	841,404	(33,968)
Liquor store profits transfer .....	70,000	60,000	(10,000)	....	....	....
Licenses and fees .....	65,800	63,796	(2,004)	481,300	510,808	29,508
Fines, penalties and interest .....	25,100	31,702	6,602	....	....	....
Departmental services .....	932,646	932,646	....	41,650	41,650	....
Miscellaneous .....	138,600	183,533	44,933	65,724	77,944	12,220
<b>TOTAL STATE PROGRAMS .....</b>	<b>16,237,946</b>	<b>16,697,330</b>	<b>459,384</b>	<b>2,444,060</b>	<b>2,479,961</b>	<b>35,901</b>
<b>Federal Programs .....</b>	<b>8,058,378</b>	<b>7,450,595</b>	<b>(607,783)</b>	<b>850,421</b>	<b>771,447</b>	<b>(78,974)</b>
<b>TOTAL REVENUES .....</b>	<b>24,296,324</b>	<b>24,147,925</b>	<b>(148,399)</b>	<b>3,294,481</b>	<b>3,251,408</b>	<b>(43,073)</b>
<b>EXPENDITURES:</b>						
<b>State Programs:</b>						
General government .....	1,344,350	1,335,533	8,817	576,838	537,373	39,465
Protection of persons and property .....	1,656,696	1,646,809	9,887	230,248	228,345	1,903
Public health and welfare .....	5,864,924	5,847,907	17,017	596,113	591,117	4,996
Public education .....	6,970,559	6,963,559	7,000	1,672	1,283	389
Conservation of natural resources .....	279,325	277,081	2,244	....	....	....
Economic development and assistance .....	262,491	258,968	3,523	....	....	....
Transportation .....	286,206	277,444	8,762	1,136,416	1,134,663	1,753
<b>TOTAL STATE PROGRAMS .....</b>	<b>16,664,551</b>	<b>16,607,301</b>	<b>57,250</b>	<b>2,541,287</b>	<b>2,492,781</b>	<b>48,506</b>
<b>Federal Programs .....</b>	<b>8,058,378</b>	<b>7,450,595</b>	<b>607,783</b>	<b>850,421</b>	<b>771,447</b>	<b>78,974</b>
<b>TOTAL EXPENDITURES .....</b>	<b>24,722,929</b>	<b>24,057,896</b>	<b>665,033</b>	<b>3,391,708</b>	<b>3,264,228</b>	<b>127,480</b>
<b>REVENUES OVER (UNDER) EXPENDITURES .....</b>	<b>(426,605)</b>	<b>90,029</b>	<b>516,634</b>	<b>(97,227)</b>	<b>(12,820)</b>	<b>84,407</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Prior year lapses .....	147,793	147,793	....	54,942	54,942	....
Transfer to Tax Stabilization Reserve Fund .....	....	(111,000)	(111,000)	....	....	....
Increase in budgeted revenues .....	459,384	....	(459,384)	....	....	....
<b>NET OTHER FINANCING SOURCES .....</b>	<b>607,177</b>	<b>36,793</b>	<b>(570,384)</b>	<b>54,942</b>	<b>54,942</b>	<b>....</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES —NOTE M .....</b>	<b>180,572</b>	<b>126,822</b>	<b>(53,750)</b>	<b>(42,285)</b>	<b>42,122</b>	<b>84,407</b>
<b>UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS)</b>						
<b>JULY 1, 1994 .....</b>	<b>302,175</b>	<b>302,175</b>	<b>....</b>	<b>216,085</b>	<b>216,085</b>	<b>....</b>
<b>UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS)</b>						
<b>JUNE 30, 1995 .....</b>	<b>\$ 482,747</b>	<b>\$ 428,997</b>	<b>\$ (53,750)</b>	<b>\$ 173,800</b>	<b>\$ 258,207</b>	<b>\$ 84,407</b>

— See notes to financial statements. —

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

*For the Fiscal Year Ended June 30, 1995*

**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 1			
<b>OPERATING REVENUES:</b>						
Sales and services .....	\$ 1,172,351	\$ 101,863	\$ .....	\$ 1,274,214	\$ 622,728	\$ 1,896,942
Investment income .....	78,953	.....	654,485	733,438	1,946,359	2,679,797
Interest on notes and loans .....	6,435	.....	.....	6,435	183,433	189,868
Pension contributions .....	.....	.....	529,537	529,537	1,254,206	1,783,743
Other .....	573	35	.....	608	18,204	18,812
<b>TOTAL OPERATING REVENUES .....</b>	<b>1,258,312</b>	<b>101,898</b>	<b>1,184,022</b>	<b>2,544,232</b>	<b>4,024,930</b>	<b>6,569,162</b>
<b>OPERATING EXPENSES:</b>						
Cost of sales and services .....	1,059,273	96,040	14,907	1,170,220	767,978	1,938,198
Interest expense .....	1,235	.....	.....	1,235	285,241	286,476
Depreciation .....	6,868	7,158	55	14,081	155,983	170,064
Provision for uncollectible accounts .....	21,192	266	.....	21,458	46,925	68,383
Benefit payments and refunds .....	.....	.....	789,700	789,700	1,414,687	2,204,387
Decrease in fair value of investments .....	.....	.....	749,290	749,290	.....	749,290
Other .....	1,170	.....	.....	1,170	.....	1,170
<b>TOTAL OPERATING EXPENSES .....</b>	<b>1,089,738</b>	<b>103,464</b>	<b>1,553,952</b>	<b>2,747,154</b>	<b>2,670,814</b>	<b>5,417,968</b>
<b>OPERATING INCOME (LOSS) .....</b>	<b>168,574</b>	<b>(1,566)</b>	<b>(369,930)</b>	<b>(202,922)</b>	<b>1,354,116</b>	<b>1,151,194</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Investment income .....	5,398	1,054	.....	6,452	23,748	30,200
Interest expense .....	.....	(582)	.....	(582)	(55,023)	(55,605)
Oil Company Franchise Tax .....	.....	.....	.....	.....	42,167	42,167
Other .....	176	203	.....	379	4,568	4,947
<b>NONOPERATING REVENUES, NET .....</b>	<b>5,574</b>	<b>675</b>	<b>.....</b>	<b>6,249</b>	<b>15,460</b>	<b>21,709</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEMS ..</b>	<b>174,148</b>	<b>(891)</b>	<b>(369,930)</b>	<b>(196,673)</b>	<b>1,369,576</b>	<b>1,172,903</b>
<b>OPERATING TRANSFERS:</b>						
Operating transfers out—Note H .....	(61,069)	.....	.....	(61,069)	.....	(61,069)
Operating transfers from primary government—Note H .....	.....	.....	.....	.....	294,160	294,160
Operating transfers from component units—Note H .....	.....	.....	6,677	6,677	.....	6,677
Operating transfers to primary government—Note H .....	.....	.....	.....	.....	(11,171)	(11,171)
Operating transfers to component units—Note H .....	.....	.....	(6,671)	(6,671)	.....	(6,671)
<b>OPERATING TRANSFERS, NET .....</b>	<b>(61,069)</b>	<b>.....</b>	<b>6</b>	<b>(61,063)</b>	<b>282,989</b>	<b>221,926</b>
<b>INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS .....</b>	<b>113,079</b>	<b>(891)</b>	<b>(369,924)</b>	<b>(257,736)</b>	<b>1,652,565</b>	<b>1,394,829</b>
Extraordinary loss on early extinguishment of debt .....	.....	.....	.....	.....	(340)	(340)
<b>NET INCOME (LOSS) .....</b>	<b>113,079</b>	<b>(891)</b>	<b>(369,924)</b>	<b>(257,736)</b>	<b>1,652,225</b>	<b>1,394,489</b>
<b>RETAINED EARNINGS/FUND BALANCES, AS RESTATED</b>						
July 1, 1994 .....	191,440	47,539	13,700,887	13,939,866	25,105,391	39,045,257
<b>RETAINED EARNINGS/FUND BALANCES,</b>						
June 30, 1995 .....	\$ 304,519	\$ 46,648	\$ 13,330,963	\$ 13,682,130	\$26,757,616	\$ 40,439,746

— 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, 1995*

**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) .....	\$ 168,574	\$ (1,566)	\$ 167,008	\$ (217,281)	\$ (50,273)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation .....	6,868	7,158	14,026	154,586	168,612
Net amortization .....	16	....	16	....	16
Provision for uncollectible accounts .....	21,192	266	21,458	46,925	68,383
Nonoperating revenues .....	196	25	221	4,568	4,789
Nonoperating revenues—oil franchise tax .....	....	....	....	42,167	42,167
Reclassification of investment income .....	(78,953)	....	(78,953)	(190,592)	(269,545)
Changes in assets and liabilities:					
(Increase) decrease in receivables .....	(59,924)	40	(59,884)	(644,506)	(704,390)
(Increase) decrease in due from other funds .....	4,668	(4,375)	293	....	293
Decrease in due from primary government .....	....	....	....	990	990
Increase in due from component units .....	....	(48)	(48)	....	(48)
Increase in due from other governments .....	....	(4)	(4)	(9,990)	(9,994)
(Increase) decrease in inventory .....	2,962	(1,943)	1,019	(655)	364
(Increase) decrease in other current assets .....	(42)	1,396	1,354	909	2,263
Increase (decrease) in accounts payable and accrued liabilities .....	(677)	1,546	869	(17,050)	(16,181)
Increase (decrease) in due to other funds .....	3,492	(5,442)	(1,950)	....	(1,950)
Decrease in due to primary government .....	....	....	....	(709)	(709)
Decrease in due to other governments .....	(273)	(23)	(296)	(1,148)	(1,444)
Increase (decrease) in deferred revenue .....	(2,962)	1	(2,961)	1,235	(1,726)
Increase in insurance loss liability .....	51,886	....	51,886	....	51,886
Increase in other current liabilities .....	9,992	....	9,992	23,648	33,640
<b>TOTAL ADJUSTMENTS .....</b>	<b>(41,559)</b>	<b>(1,403)</b>	<b>(42,962)</b>	<b>(589,622)</b>	<b>(632,584)</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>127,015</b>	<b>(2,969)</b>	<b>124,046</b>	<b>(806,903)</b>	<b>(682,857)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Proceeds from issuance of notes payable and revenue bonds .....	....	....	....	640,756	640,756
Principal paid on notes payable and revenue bonds .....	....	(1,238)	(1,238)	(135,602)	(136,840)
Interest paid on notes payable and revenue bonds .....	....	(242)	(242)	....	(242)
Operating transfers from primary government .....	....	....	....	284,252	284,252
Operating transfers out .....	(61,069)	....	(61,069)	....	(61,069)
Increase in contributed capital .....	7,525	....	7,525	1,503	9,028
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>(53,544)</b>	<b>(1,480)</b>	<b>(55,024)</b>	<b>790,909</b>	<b>735,885</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from issuance of revenue bonds .....	....	....	....	35,000	35,000
Principal paid on revenue bonds .....	....	....	....	(18,641)	(18,641)
Interest paid on revenue bonds .....	....	(340)	(340)	(55,023)	(55,363)
Increases in contributed capital .....	32,000	....	32,000	74,381	106,381
Decreases in contributed capital .....	(13,700)	....	(13,700)	(4,697)	(18,397)
Acquisition and construction of capital assets .....	(4,639)	(10,629)	(15,268)	(230,715)	(245,983)
Proceeds from sale of capital assets .....	....	1,226	1,226	....	1,226
<b>NET CASH PROVIDED BY (USER FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>13,661</b>	<b>(9,743)</b>	<b>3,918</b>	<b>(199,695)</b>	<b>(195,777)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchase of investments .....	(1,956,260)	(58,891)	(2,015,151)	(18,609,013)	(20,624,164)
Proceeds from sale of maturities of investments .....	1,785,150	71,897	1,857,047	18,577,272	20,434,319
Investment income .....	84,351	1,054	85,405	214,340	299,745
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES .....</b>	<b>(86,759)</b>	<b>14,060</b>	<b>(72,699)</b>	<b>182,599</b>	<b>109,900</b>
<b>NET INCREASE (DECREASE) IN CASH .....</b>	<b>373</b>	<b>(132)</b>	<b>241</b>	<b>(33,090)</b>	<b>(32,849)</b>
CASH, JULY 1, 1994 .....	9,581	409	9,990	64,526	74,516
<b>CASH, JUNE 30, 1995 .....</b>	<b>\$ 9,954</b>	<b>\$ 277</b>	<b>\$ 10,231</b>	<b>\$ 31,436</b>	<b>\$ 41,667</b>

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

— See notes to financial statements. —

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

June 30, 1995

**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 .....	\$ 87,008	\$ 8,081	\$ 55	\$ 5,300	\$ 100,444
Cash with fiscal agents—Note D .....	.....	23,355	176	.....	23,531
Temporary investments—Note D .....	185,894	1,879,538	1,306,777	328,330	3,700,539
Long-term investments—Note D .....	61,297	210,258	23,659,644	111,943	24,043,142
Receivable, net:					
Accounts .....	.....	20,324	.....	23,859	44,183
Accrued interest .....	2,595	89,665	194,570	101	286,931
Loans—Note G .....	1,629	4,997,484	.....	26,767	5,025,880
Lease rental—Note G .....	2,312,614	13,724	.....	.....	2,326,338
Pension contributions .....	.....	.....	218,977	.....	218,977
Other .....	5	.....	.....	7,467	7,472
Due from other funds—Note H .....	.....	.....	.....	137,071	137,071
Due from primary government—Note H .....	.....	3,297	103,640	.....	106,937
Due from other governments—Note F .....	.....	38,430	30	.....	38,460
Inventory .....	.....	7,434	.....	5,164	12,598
Fixed assets—Note E .....	.....	3,106,736	13,065	675,573	3,795,374
Less: accumulated depreciation .....	.....	(1,269,324)	(6,559)	(199,031)	(1,474,914)
Other assets .....	.....	69,561	419,825	26,457	515,843
Other Debits:					
Amounts available for retirement of other bonds .....	106,537	.....	.....	.....	106,537
Amounts to be provided for the retirement of:					
Other bonds .....	2,312,614	.....	.....	.....	2,312,614
Other general long-term obligations .....	175	.....	.....	.....	175
<b>TOTAL ASSETS AND OTHER DEBITS</b> .....	<b>\$ 5,070,368</b>	<b>\$ 9,198,563</b>	<b>\$ 25,910,200</b>	<b>\$ 1,149,001</b>	<b>\$ 41,328,132</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>					
Liabilities:					
Accounts payable and accrued liabilities .....	\$ 11,912	\$ 165,459	\$ 29,223	\$ 103,857	\$ 310,451
Investment purchases payable .....	.....	.....	858,481	.....	858,481
Due to other funds—Note H .....	.....	.....	.....	137,071	137,071
Due to primary government—Note H .....	1	40,719	687	7,113	48,520
Due to other governments .....	216	10,506	.....	.....	10,722
Deferred revenue .....	2,312,614	47,956	.....	33,242	2,393,812
Notes payable—Note J .....	47,403	628,997	.....	29	676,429
Demand revenue bonds payable—Note J .....	.....	546,000	.....	.....	546,000
Other liabilities .....	107	195,028	.....	342,823	537,958
Bonds payable—Note K .....	2,419,151	.....	.....	.....	2,419,151
Revenue bonds payable—Note K .....	.....	4,625,202	.....	.....	4,625,202
Capital lease and other general long-term obligations—Note K .....	175	56,237	.....	277,450	333,862
<b>TOTAL LIABILITIES</b> .....	<b>4,791,579</b>	<b>6,316,104</b>	<b>888,391</b>	<b>901,585</b>	<b>12,897,659</b>
Equity and Other Credits:					
Contributed capital—Note H .....	.....	1,146,652	.....	.....	1,146,652
Investment in fixed assets .....	.....	.....	.....	216,351	216,351
Retained earnings:					
Reserved—Note B .....	.....	1,296,631	.....	.....	1,296,631
Unreserved .....	.....	439,176	.....	.....	439,176
Fund balance:					
Reserved for:					
Encumbrances .....	254	.....	.....	32,978	33,232
Pension benefits .....	.....	.....	25,021,809	.....	25,021,809
Loans receivable .....	.....	.....	.....	28,400	28,400
Long-term investments .....	61,297	.....	.....	.....	61,297
Endowment and similar funds .....	.....	.....	.....	45,907	45,907
Restricted fund balance .....	22,333	.....	.....	26,804	49,137
Other—Note B .....	.....	.....	.....	73,248	73,248
Unreserved:					
Designated for:					
Capital projects .....	125,419	.....	.....	.....	125,419
Debt Service:					
Retirement of other bonds .....	59,883	.....	.....	.....	59,883
Other .....	4	.....	.....	.....	4
Undesignated (deficit)—Note C .....	9,599	.....	.....	(176,272)	(166,673)
<b>TOTAL EQUITY AND OTHER CREDITS</b> .....	<b>278,789</b>	<b>2,882,459</b>	<b>25,021,809</b>	<b>247,416</b>	<b>28,430,473</b>
<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b> .....	<b>\$ 5,070,368</b>	<b>\$ 9,198,563</b>	<b>\$ 25,910,200</b>	<b>\$ 1,149,001</b>	<b>\$ 41,328,132</b>

— See notes to financial statements. —

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

*June 30, 1995*

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

	Pennsylvania Higher Educational Facilities Authority	Ben Franklin/ IRC Partnership	State Public School Building Authority	Total
<b>ASSETS AND OTHER DEBITS</b>				
Assets:				
Cash—Note D .....	\$ 71,318	\$ ....	\$ 15,690	\$ 87,008
Temporary investments—Note D .....	67,981	5,245	112,668	185,894
Long-term investments—Note D .....	52,197	....	9,100	61,297
Receivables, net:				
Accrued interest .....	1,114	40	1,441	2,595
Loans—Note G .....	....	....	1,629	1,629
Lease rental—Note G .....	1,999,276	....	313,338	2,312,614
Other .....	....	....	5	5
Other Debits:				
Amounts available for retirement of other bonds ...	103,670	....	2,867	106,537
Amounts to be provided for the retirement of:				
Other bonds .....	1,999,276	....	313,338	2,312,614
Other general long-term obligations .....	....	....	175	175
<b>TOTAL ASSETS AND OTHER DEBITS .....</b>	<b>\$ 4,294,832</b>	<b>\$ 5,285</b>	<b>\$ 770,251</b>	<b>\$ 5,070,368</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities .....	\$ 474	\$ 4,176	\$ 7,262	\$ 11,912
Due to primary government—Note H .....	....	....	1	1
Due to other governments .....	....	216	....	216
Deferred revenue .....	1,999,276	....	313,338	2,312,614
Notes payable—Note J .....	....	....	47,403	47,403
Other liabilities .....	....	....	107	107
Bonds payable—Note K .....	2,102,946	....	316,205	2,419,151
Capital lease and other long-term obligations—Note K .....	....	....	175	175
<b>TOTAL LIABILITIES .....</b>	<b>4,102,696</b>	<b>4,392</b>	<b>684,491</b>	<b>4,791,579</b>
Fund Balance:				
Reserved for:				
Encumbrances .....	....	254	....	254
Long-term investments .....	52,197	....	9,100	61,297
Restricted fund balance .....	20,448	....	1,885	22,333
Unreserved:				
Designated for:				
Capital projects .....	62,475	....	62,944	125,419
Debt Service:				
Retirement of other bonds .....	57,016	....	2,867	59,883
Other .....	....	4	....	4
Undesignated .....	....	635	8,964	9,599
<b>TOTAL FUND BALANCES .....</b>	<b>192,136</b>	<b>893</b>	<b>85,760</b>	<b>278,789</b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b>\$ 4,294,832</b>	<b>\$ 5,285</b>	<b>\$ 770,251</b>	<b>\$ 5,070,368</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, 1995*

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	Pennsylvania Higher Educational Facilities Authority	Ben Franklin/ IRC Partnership	State Public School Building Authority	Total
<b>REVENUES:</b>				
Charges for sales and services .....	\$ . . . .	\$ 1,303	\$ 1,161	\$ 2,464
Investment income .....	9,125	260	7,072	16,457
Lease rental principal and interest .....	147,842	. . . .	30,989	178,831
Other .....	20,374	. . . .	3,054	23,428
<b>TOTAL REVENUES</b> .....	<b>177,341</b>	<b>1,563</b>	<b>42,276</b>	<b>221,180</b>
<b>EXPENDITURES:</b>				
Public education .....	265	. . . .	1,413	1,678
Economic development and assistance .....	. . . .	32,960	. . . .	32,960
Capital outlay .....	245,293	. . . .	28,892	274,185
<b>Debt Service:</b>				
Principal retirement .....	100,245	. . . .	20,380	120,625
Interest and fiscal charges .....	112,278	. . . .	16,810	129,088
<b>TOTAL EXPENDITURES</b> .....	<b>458,081</b>	<b>32,960</b>	<b>67,495</b>	<b>558,536</b>
<b>REVENUES UNDER EXPENDITURES</b> .....	<b>(280,740)</b>	<b>(31,397)</b>	<b>(25,219)</b>	<b>(337,356)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond proceeds .....	271,125	. . . .	38,900	310,025
Refunding bond proceeds .....	. . . .	. . . .	27,690	27,690
Operating transfers in—Note H .....	323,355	. . . .	68,701	392,056
Operating transfers out—Note H .....	(323,355)	. . . .	(68,701)	(392,056)
Operating transfer from primary government— Note H .....	. . . .	32,290	. . . .	32,290
Payment to refunded bond escrow agent .....	. . . .	. . . .	(22,727)	(22,727)
<b>NET OTHER FINANCING SOURCES</b> .....	<b>271,125</b>	<b>32,290</b>	<b>43,863</b>	<b>347,278</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b> .....	<b>(9,615)</b>	<b>893</b>	<b>18,644</b>	<b>9,922</b>
<b>FUND BALANCES, JULY 1, 1994</b> .....	<b>201,751</b>	<b>. . . .</b>	<b>67,116</b>	<b>268,867</b>
<b>FUND BALANCES, JUNE 30, 1995</b> .....	<b>\$ 192,136</b>	<b>\$ 893</b>	<b>\$ 85,760</b>	<b>\$ 278,789</b>

— See notes to financial statements. —



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

June 30, 1995

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

	Pennsylvania Turnpike Commission (May 31, 1995)	Pennsylvania Industrial Development Authority	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	Total
<b>ASSETS</b>						
Cash—Note D .....	\$ 3,856	\$ .....	\$ 2,993	\$ 1,211	\$ 21	\$ 8,081
Cash with fiscal agents—Note D .....	.....	596	.....	22,342	417	23,355
Temporary investments—Note D .....	657,904	104,426	542,860	451,979	122,369	1,879,538
Long-term investments—Note D .....	.....	107,384	82,335	20,539	.....	210,258
Receivables, net:						
Accounts .....	11,472	.....	.....	8,852	.....	20,324
Accrued Interest .....	5,854	3,364	.....	78,806	1,641	89,665
Loans—Note G .....	.....	475,826	2,067,621	1,566,456	887,581	4,997,484
Lease rental—Note G .....	.....	13,724	.....	.....	.....	13,724
Due from primary government—Note H .....	3,297	.....	.....	.....	.....	3,297
Due from other governments—Note F .....	.....	.....	.....	38,430	.....	38,430
Inventory .....	7,434	.....	.....	.....	.....	7,434
Fixed assets—Note E .....	2,961,663	.....	6,020	138,885	168	3,106,736
Less: accumulated depreciation .....	(1,237,500)	.....	(2,922)	(28,759)	(143)	(1,269,324)
Other assets .....	18,873	10,370	12,519	18,387	9,412	69,561
<b>TOTAL ASSETS</b> .....	<b>\$ 2,432,853</b>	<b>\$ 715,690</b>	<b>\$ 2,711,426</b>	<b>\$ 2,317,128</b>	<b>\$ 1,021,466</b>	<b>\$ 9,198,563</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities .....	\$ 75,281	\$ 334	\$ 46,963	\$ 39,694	\$ 3,187	\$ 165,459
Due to primary government—Note H .....	3,999	.....	43	864	35,813	40,719
Due to other governments .....	.....	.....	.....	10,504	2	10,506
Deferred revenue .....	.....	.....	.....	47,956	.....	47,956
Notes payable—Note J .....	.....	.....	24,000	604,997	.....	628,997
Demand revenue bonds payable—Note J .....	.....	.....	.....	546,000	.....	546,000
Other liabilities .....	14,509	9,983	170,536	.....	.....	195,028
Revenue bonds payable—Note K .....	1,205,886	352,952	2,108,569	737,785	220,010	4,625,202
Capital lease obligation—Note K .....	.....	.....	.....	56,237	.....	56,237
<b>TOTAL LIABILITIES</b> .....	<b>1,299,675</b>	<b>363,269</b>	<b>2,350,111</b>	<b>2,044,037</b>	<b>259,012</b>	<b>6,316,104</b>
<b>Equity:</b>						
Contributed capital—Note H .....	171,066	226,350	3,463	.....	745,773	1,146,652
Retained earnings:						
Reserved—Note B .....	962,112	.....	103,529	230,990	.....	1,296,631
Unreserved .....	.....	126,071	254,323	42,101	16,681	439,176
<b>TOTAL EQUITY</b> .....	<b>1,133,178</b>	<b>352,421</b>	<b>361,315</b>	<b>273,091</b>	<b>762,454</b>	<b>2,882,459</b>
<b>TOTAL LIABILITIES AND EQUITY</b> .....	<b>\$ 2,432,853</b>	<b>\$ 715,690</b>	<b>\$ 2,711,426</b>	<b>\$ 2,317,128</b>	<b>\$ 1,021,466</b>	<b>\$ 9,198,563</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, 1995*

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

	Proprietary Fund Type						Total
	Pennsylvania Turnpike Commission (May 31, 1995)	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 .....	\$ 297,599	\$ .....	\$ 11,737	\$ 312,149	\$ 1,243	\$ .....	\$ 622,728
Investment income .....	.....	12,064	28,369	143,432	6,727	1,755,767	1,946,359
Interest on notes and loans .....	.....	16,916	152,665	.....	13,852	.....	183,433
Pension contributions .....	.....	.....	.....	.....	.....	1,254,206	1,254,206
Other .....	12,240	1,826	3,252	684	202	.....	18,204
<b>TOTAL OPERATING REVENUES .....</b>	<b>309,839</b>	<b>30,806</b>	<b>196,023</b>	<b>456,265</b>	<b>22,024</b>	<b>3,009,973</b>	<b>4,024,930</b>
<b>OPERATING EXPENSES:</b>							
Cost of sales and services .....	146,325	2,864	16,095	578,199	2,003	22,492	767,978
Interest expense .....	.....	20,123	140,836	112,994	11,288	.....	285,241
Depreciation .....	144,025	.....	348	10,197	16	1,397	155,983
Provision for uncollectible accounts .....	.....	2,126	42,127	.....	2,672	.....	46,925
Benefit payments and refunds .....	.....	.....	.....	.....	.....	1,414,687	1,414,687
<b>TOTAL OPERATING EXPENSES .....</b>	<b>290,350</b>	<b>25,113</b>	<b>199,406</b>	<b>701,390</b>	<b>15,979</b>	<b>1,438,576</b>	<b>2,670,814</b>
<b>OPERATING INCOME (LOSS) .....</b>	<b>19,489</b>	<b>5,693</b>	<b>(3,383)</b>	<b>(245,125)</b>	<b>6,045</b>	<b>1,571,397</b>	<b>1,354,116</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>							
Investment income .....	23,748	.....	.....	.....	.....	.....	23,748
Interest expense .....	(55,023)	.....	.....	.....	.....	.....	(55,023)
Oil company franchise tax .....	42,167	.....	.....	.....	.....	.....	42,167
Other .....	.....	.....	.....	4,568	.....	.....	4,568
<b>NONOPERATING REVENUES, NET .....</b>	<b>10,892</b>	<b>.....</b>	<b>.....</b>	<b>4,568</b>	<b>.....</b>	<b>.....</b>	<b>15,460</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEMS .....</b>	<b>30,381</b>	<b>5,693</b>	<b>(3,383)</b>	<b>(240,557)</b>	<b>6,045</b>	<b>1,571,397</b>	<b>1,369,576</b>
<b>OPERATING TRANSFERS:</b>							
Operating transfers from primary government—Note H .....	.....	.....	32,500	251,752	.....	9,908	294,160
Operating transfers to primary government—Note H .....	.....	.....	.....	.....	.....	(11,171)	(11,171)
<b>OPERATING TRANSFERS, NET .....</b>	<b>.....</b>	<b>.....</b>	<b>32,500</b>	<b>251,752</b>	<b>.....</b>	<b>(1,263)</b>	<b>282,989</b>
<b>INCOME BEFORE EXTRAORDINARY ITEMS .....</b>	<b>30,381</b>	<b>5,693</b>	<b>29,117</b>	<b>11,195</b>	<b>6,045</b>	<b>1,570,134</b>	<b>1,652,565</b>
Extraordinary loss on early extinguishment of debt .....	.....	.....	(340)	.....	.....	.....	(340)
<b>NET INCOME .....</b>	<b>30,381</b>	<b>5,693</b>	<b>28,777</b>	<b>11,195</b>	<b>6,045</b>	<b>1,570,134</b>	<b>1,652,225</b>
<b>RETAINED EARNINGS / FUND BALANCE, JULY 1, 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>
<b>RETAINED EARNINGS / FUND BALANCE, JUNE 30, 1995 .....</b>	<b>\$ 962,112</b>	<b>\$ 126,071</b>	<b>\$ 357,852</b>	<b>\$ 273,091</b>	<b>\$ 16,681</b>	<b>\$25,021,809</b>	<b>\$26,757,616</b>

— See notes to financial statements. —

# COMBINING STATEMENT OF CASH FLOWS

Proprietary Funds — Discretely Presented Component Units

For the Fiscal Year Ended June 30, 1995

## COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Pennsylvania Turnpike Commission (May 31, 1995)	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) .....	\$ 19,489	\$ 5,693	\$ (3,383)	\$ (245,125)	\$ 6,045	\$ (217,281)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation .....	144,025	....	348	10,197	16	154,586
Provision for uncollectible accounts .....	....	2,126	42,127	....	2,672	46,925
Nonoperating revenues .....	....	....	....	4,568	....	4,568
Nonoperating revenue—oil franchise tax .....	42,167	....	....	....	....	42,167
Reclassification of investment income .....	....	(12,064)	(28,369)	(143,432)	(6,727)	(190,592)
Changes in assets and liabilities:						
Increase in receivables .....	(3,833)	(47,751)	(209,563)	(264,558)	(118,801)	(644,506)
Decrease in due from primary government .....	8	....	....	982	....	990
Increase in due from other governments .....	....	....	....	(9,990)	....	(9,990)
Increase in inventory .....	(655)	....	....	....	....	(655)
(Increase) decrease in other current assets .....	1,538	1,666	(99)	(2,177)	(19)	909
Increase (decrease) in accounts payable and account liabilities .....	(19,172)	169	3,110	(978)	(179)	(17,050)
Increase (decrease) in due to primary government .....	1,350	(73)	14	6	(2,006)	(709)
Decrease in due to other governments .....	....	....	....	(1,146)	(2)	(1,148)
Increase (decrease) in deferred revenue .....	....	....	....	1,318	(83)	1,235
Increase (decrease) in other current liabilities .....	8,270	5,727	10,251	(600)	....	23,648
<b>TOTAL ADJUSTMENTS .....</b>	<b>173,698</b>	<b>(50,200)</b>	<b>(182,181)</b>	<b>(405,810)</b>	<b>(125,129)</b>	<b>(589,622)</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>193,187</b>	<b>(44,507)</b>	<b>(185,564)</b>	<b>(650,935)</b>	<b>(119,084)</b>	<b>(806,903)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Proceeds from issuance of notes payable and revenue bonds .....	....	....	260,221	380,535	....	640,756
Principal paid on notes payable and revenue bonds .....	....	(4,376)	(78,828)	(52,398)	....	(135,602)
Operating transfers from primary government .....	....	....	32,500	251,752	....	284,252
Increase in contributed capital .....	....	....	1,503	....	....	1,503
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>....</b>	<b>(4,376)</b>	<b>215,396</b>	<b>579,889</b>	<b>....</b>	<b>790,909</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Proceeds from issuance of revenue bonds .....	....	....	....	....	35,000	35,000
Principal paid on revenue bonds .....	(12,266)	....	....	....	(6,375)	(18,641)
Interest paid on revenue bonds .....	(55,023)	....	....	....	....	(55,023)
Increases in contributed capital .....	6,539	....	....	....	67,842	74,381
Decrease in contributed capital .....	....	....	....	....	(4,697)	(4,697)
Acquisition and construction of capital assets .....	(221,370)	....	(635)	(8,699)	(11)	(230,715)
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(282,120)</b>	<b>....</b>	<b>(635)</b>	<b>(8,699)</b>	<b>91,759</b>	<b>(199,695)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Purchase of investments .....	(80,988)	(15,650,192)	(405,735)	(1,751,965)	(720,133)	(18,609,013)
Proceeds for sale and maturities of investments .....	115,832	15,686,563	347,873	1,688,821	738,183	18,577,272
Investment income .....	23,748	12,064	28,369	143,432	6,727	214,340
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES .....</b>	<b>58,592</b>	<b>48,435</b>	<b>(29,493)</b>	<b>80,288</b>	<b>24,777</b>	<b>182,599</b>
<b>NET INCREASE (DECREASE) IN CASH .....</b>	<b>(30,341)</b>	<b>(448)</b>	<b>(296)</b>	<b>543</b>	<b>(2,548)</b>	<b>(33,090)</b>
CASH, JULY 1, 1994 .....	34,197	1,044	3,289	23,010	2,986	64,526
CASH, JUNE 30, 1995 .....	\$ 3,856	\$ 596	\$ 2,993	\$ 23,553	\$ 438	\$ 31,436

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

— See notes to financial statements. —

**COMBINING BALANCE SHEET**

**College and University Funds—Discretely Presented Component Unit**

June 30, 1995

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds				Totals	
	Unrestricted	Restricted			Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant		Agency
<b>ASSETS:</b>										
Cash—Note D	\$ 5,300	\$	\$	\$	\$	\$	\$	\$	\$ 5,300	
Temporary investments—Note D	312,091				16,239				328,330	
Long-term investments—Note D	35	161		4,793	1,527	105,427			111,943	
Receivables, net:										
Accounts	13,443	8,418						388	23,859	
Accrued interest				101					101	
Loans—Note G			26,767						26,767	
Other	4,517				2,950				7,467	
Due from other funds—Note H	5,164	2,883	1,678	2,834	43,838	10,276		17,197	137,071	
Inventory									5,164	
Fixed assets—Note E									675,573	
Less: accumulated depreciation									(199,031)	
Other assets	19,652	79			153	6,482			26,457	
<b>TOTAL ASSETS</b>	<b>\$ 360,202</b>	<b>\$ 11,541</b>	<b>\$ 28,445</b>	<b>\$ 7,728</b>	<b>\$ 64,707</b>	<b>\$ 122,260</b>	<b>\$ 476,542</b>	<b>\$ 17,585</b>	<b>\$ 1,149,001</b>	
<b>LIABILITIES AND FUND EQUITY</b>										
<b>Liabilities:</b>										
Accounts payable and accrued liabilities	\$ 88,283	\$ 1,819	\$	\$	\$ 5,865	\$ 3,604	\$	\$ 486	\$ 103,857	
Due to other funds—Note H	135,912								137,071	
Due to primary government—Note H	7,113								7,113	
Deferred revenue	33,242								33,242	
Notes payable—Note J									29	
Other liabilities	323,925		45		10,965		710	17,099	342,823	
Capital lease obligations—Note K							254,493		277,450	
<b>TOTAL LIABILITIES</b>	<b>588,475</b>	<b>1,819</b>	<b>45</b>		<b>16,830</b>	<b>3,604</b>	<b>260,191</b>	<b>17,585</b>	<b>901,585</b>	
<b>Fund Equity:</b>										
Investment in fixed assets							216,351		216,351	
Fund Balance:										
Reserved for:										
Encumbrances	8,663	1,564			13,793	8,958			32,978	
Loans receivable			28,400		6,632	17,264			28,400	
Endowment and similar funds	13,741			7,728	4,015	12,855			45,907	
Restricted fund balance		8,158							26,804	
Other—Note B	73,248								73,248	
Unreserved:										
Undesignated (deficit)—Note C	(323,925)				23,437	17,310			(176,272)	
<b>TOTAL FUND EQUITY</b>	<b>(228,273)</b>	<b>9,722</b>	<b>28,400</b>	<b>7,728</b>	<b>47,877</b>	<b>56,387</b>	<b>216,351</b>		<b>247,416</b>	
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 360,202</b>	<b>\$ 11,541</b>	<b>\$ 28,445</b>	<b>\$ 7,728</b>	<b>\$ 64,707</b>	<b>\$ 59,991</b>	<b>\$ 476,542</b>	<b>\$ 17,585</b>	<b>\$ 1,149,001</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, 1995*

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>REVENUES:</b>			
Tuition and fees .....	\$ 377,831	\$ . . . .	\$ 377,831
Government grants and contracts:			
State and local .....	793	50,316	51,109
Federal .....	1,566	57,305	58,871
Private gifts, grants and contracts .....	4,288	6,534	10,822
Investment income .....	16,038	242	16,280
Endowment income .....	41	470	511
Activities of educational departments .....	7,329	5	7,334
Other sources .....	11,054	440	11,494
Auxiliary enterprises .....	129,051	. . . .	129,051
<b>TOTAL REVENUES</b> .....	<u>547,991</u>	<u>115,312</u>	<u>663,303</u>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>			
<b>EXPENDITURES:</b>			
Educational and general:			
Instruction .....	394,620	5,569	400,189
Research .....	1,050	2,329	3,379
Public service .....	8,008	16,246	24,254
Academic support .....	79,959	2,956	82,915
Student services .....	63,325	3,889	67,214
Operations and maintenance of plant .....	81,214	202	81,416
General institutional support .....	123,108	3,499	126,607
Student aid .....	7,583	80,741	88,324
<b>TOTAL EDUCATIONAL AND GENERAL</b> .....	<u>758,867</u>	<u>115,431</u>	<u>874,298</u>
Auxiliary enterprises .....	113,455	36	113,491
<b>TOTAL MANDATORY TRANSFERS</b> .....	<u>872,322</u>	<u>115,467</u>	<u>987,789</u>
<b>MANDATORY TRANSFERS:</b>			
Principal and interest .....	10,037	. . . .	10,037
Other .....	387	12	399
<b>TOTAL MANDATORY TRANSFERS</b> .....	<u>10,424</u>	<u>12</u>	<u>10,436</u>
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b> .....	<u>882,746</u>	<u>115,479</u>	<u>998,225</u>
<b>OPERATING TRANSFERS, OTHER TRANSFERS AND DEDUCTIONS:</b>			
Operating transfers from Primary Government—			
Note H .....	366,399	1,628	368,027
Other transfers .....	(51,242)	(88)	(51,330)
Deductions .....	. . . .	(1,927)	(1,927)
<b>OPERATING TRANSFERS, OTHER TRANSFERS AND DEDUCTIONS, NET</b> .....	<u>315,157</u>	<u>(387)</u>	<u>314,770</u>
<b>NET DECREASE IN FUND BALANCES</b> .....	<u>\$ (19,598)</u>	<u>\$ (554)</u>	<u>\$ (20,152)</u>

— See notes to financial statements. —

## COMMONWEALTH OF PENNSYLVANIA

## NOTE A—FINANCIAL REPORTING ENTITY

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 take certain actions to satisfy the SPSBA and the HEFA bondholders.

*Ben Franklin/IRC Partnership (Partnership) (Governmental Fund Type)* — The Partnership assists business through interaction of technology development, modernization and training programs. Industrial resource centers and technology centers, established through the Partnership, also increase the competitiveness of businesses. Operations of the Partnership are funded by state appropriations and private contributions; the Partnership may not issue debt. The Partnership works closely with the Department of Commerce.

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

The PG appoints all fifteen voting members of the governing board. All Partnership expenditures must be appropriated annually by the General Assembly.

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

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

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

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

***Pennsylvania Industrial Development Authority (PIDA) (Proprietary Fund Type)*** — The PIDA collaborates with local industrial development corporations to make loans which help preserve or expand the work force, assist targeted economic areas or assist specific companies. Loans are made at lower-than-market interest rates; the interest rates are based on local unemployment and other economic conditions. The PIDA issues revenue bonds to finance the loan program. Loan repayments are used for debt service payments. The PIDA operates closely with the 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 is not obligated for the PIDA debt, but the PG could take certain actions to satisfy bondholders.

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



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

capital, the PG creates a significant financial burden. The PG is not obligated for the PENNVEST debt, but the PG could take certain actions to satisfy bondholders. Upon dissolution, the assets of the PENNVEST revert to the Commonwealth.

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

The PG appoints all voting members. The Department of Transportation must approve all contracts related to turnpike construction and supervise construction. When all the PTC bondholders have been satisfied, the PTC assets revert to the Department of Transportation. The Governor must approve the issuance of all the PTC debt. The PG is not obligated for the PTC debt, but the PG could take certain actions to satisfy bondholders.

***Public School Employes' Retirement System (PSERS) (Fiduciary Fund Type)*** — The PSERS was created to administer and provide pension benefits to public school employes in Pennsylvania. The PSERS covers almost all such employes. Employer contributions are made equally by covered school districts and by the PG; employes also make contributions.

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

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

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

**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

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

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to the PMRS on a cost reimbursement basis. The PMRS is not included in the financial reporting entity.

**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.

# NOTES TO FINANCIAL STATEMENTS

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## NOTE B— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### Governmental Funds

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

*Special Revenue Funds*—Account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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

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

### Proprietary Funds

*Enterprise Funds*—Account for operations that are financed and operated in a manner similar to private business enterprises. Costs of providing goods and services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges. The State Workmen's Insurance Fund is included for its fiscal year ended December 31, 1994 and the State Stores Fund for its fiscal year ended June 27, 1995.

*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, the Deferred Compensation Fund and the INVEST Program for Local Governments, Agency Funds, are included for their fiscal years ended December 31, 1994.

### 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

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

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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:

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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.

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.

The preparation of financial statements in accordance with GAAP requires the use of estimates and judgements by management.

**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

# NOTES TO FINANCIAL STATEMENTS

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

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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, 1995 reports the level of legal control at the appropriation level for specific departmental programs and functions, and is available from the Commonwealth's Office of the Budget.

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

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

The legally adopted budget for the General Fund includes \$65.5 million in supplemental appropriations approved during the fiscal year ended June 30, 1995.

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.

# NOTES TO FINANCIAL STATEMENTS

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

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

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

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 \$459 thousand, is reported as part of fund balance, "Reserved for other" in the General Fund at June 30, 1995.

**Insurance Loss Liability:** The insurance loss liability of the State Workmen's Insurance Fund (SWIF), an Enterprise Fund, is based on historical claims experience. In determining the liability amount, which has been calculated using a 4% discount rate, consideration was given to the extensive changes in statutory benefits due to the passage of Act 44 in 1993 and changes in claims management practices adopted by SWIF. SWIF management expects these legislative and operational changes to substantially reduce claim duration, the utilization of medical services, and inflation of medical costs. At present, SWIF does not have a significant amount of empirical data to measure the expected cost reduction for these changes. However, the estimated impact was incorporated in the actuarial reserve analysis through adjustments to the historical data. These adjustments were based on limited actual information. Because of the length of time required for the actual insurance loss liability to be determined and the uncertainty regarding whether the adjusted data will be reflective of future claim payments, the actual liability may vary significantly from the estimated amount provided for in the balance sheet.

**Self-Insurance:** The Commonwealth is uninsured for property losses and self-insured for annuitant medical/hospital benefits, employe disability and tort claims. Reporting of self-insurance liabilities is described in Note O.

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The amount reserved for advances in the General Fund, \$70.5 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 \$2.3 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, 1994 the State Workmen's Insurance Fund has reported an advance from the General Fund in the amount of \$2 million.

The \$3.3 million reported as "Reserved for other" in the General Fund at June 30, 1995 includes \$.5 million for arbitrage rebate tax, \$2.1 million advances to organizations outside the financial reporting entity and \$.7 million for other reservations.

The \$399 thousand reported as "Reserved for other" in the Special Revenue Funds at June 30, 1995 pertains to reserves for other receivables in the State Lottery Fund and the Nursing Home Loan Development Fund in the amount of \$8 thousand and \$391 thousand, respectively.

The \$73.2 million reported as "Reserved for other" in the College and University Funds, a discretely presented component unit, at June 30, 1995 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



## NOTES TO FINANCIAL STATEMENTS

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

Pennsylvania Housing Finance Agency. At June 30, 1995 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):

	Primary Government	Discretely Presented Component Unit
State Workmen's Insurance Fund .....	\$102,978	\$ . . . .
Pennsylvania Turnpike Commission .....	. . . .	962,112
Pennsylvania Higher Education Assistance Agency .....	. . . .	230,990
Pennsylvania Housing Finance Agency .....	. . . .	103,529
Other Enterprise Funds .....	7,625	. . . .
Total .....	<u>\$110,603</u>	<u>\$ 1,296,631</u>

Designations of unreserved fund balances reflect managerial plans for the future use of financial resources. At June 30, 1995 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 .....	\$ 152,471
Continuing programs .....	131,452
Group medical and life insurance .....	74,076
Tax stabilization .....	66,647
Other .....	18,253
Total General Fund .....	<u>\$ 442,899</u>
Special Revenue Funds:	
Land reclamation .....	\$ 24,954
Recycling programs .....	3,000
Solid waste grants .....	1,162
Other .....	1,716
Total Special Revenue Funds .....	<u>\$ 30,832</u>

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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*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, 1995 is presented in Note H.

**New Accounting Pronouncements:** Effective July 1, 1994, the Commonwealth has included the applicable disclosure requirements outlined in the Governmental Accounting Standards Board's (GASB) Technical Bulletin 94-1, "Disclosures about Derivative and Similar Debt and Investment Transactions." The disclosure information is presented as part of Note D, Deposits and Investments.

Effective July 1, 1994, the Commonwealth has included the disclosure requirements provided in GASB Statement 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." The disclosure information is presented as part of Note O.

Effective July 1, 1994, the Commonwealth adopted GASB Statement 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." For the proprietary funds reported as part of primary government, the Commonwealth has elected not to apply Statements and Interpretations issued by the Financial Accounting Standards Board after November 30, 1989. All five discretely presented proprietary component unit organizations have elected to follow the same policy.

GASB Statement 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," is effective during the fiscal year ended June 30, 1995. The Commonwealth's primary government does not include any proprietary funds which may issue bonded debt and none of the five discretely presented proprietary fund component unit organizations advance refunded any debt during the fiscal year ended June 30, 1995.

**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

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## NOTE C—FUND BALANCE/RETAINED EARNINGS DEFICITS/RESTATEMENTS

The State Lottery Fund, a Special Revenue Fund, reported a fund balance deficit of \$12.4 million at June 30, 1995. 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 \$3.3 million at June 30, 1995. The Workmen's Compensation Surpsedeas Fund and the Home Investment Trust Fund, both Special Revenue Funds, reported fund balance deficits of \$2.4 million and \$23 thousand, respectively, at June 30, 1995.

The Capital Debt Fund, the Water Facilities Loan Redemption Fund and the Local Criminal Justice Sinking Fund, Debt Service Funds, reported fund balance deficits of \$553 thousand, \$2 thousand and \$32 thousand, respectively, at June 30, 1995. None of these debt service funds reported fund balance designations.

The Capital Facilities Fund, a Capital Projects Fund, reported a deficit unreserved/undesignated fund balance of \$413,900 at June 30, 1995. In total, the Capital Facilities Fund reported a fund balance of \$129,352 at June 30, 1995. Total Capital Projects Funds reported reservations for encumbrances of \$548,024, designations for Capital Projects of \$48,696 and a deficit unreserved/undesignated fund balance of \$413,900, for a total combined fund balance of \$182,820 at June 30, 1995 (amounts in thousands).

The Minority Business Development Fund and the Storage Tank Loan Fund, Enterprise Funds, reported deficit retained earnings of \$27.9 million and \$44 thousand, respectively, at June 30, 1995.

The State System of Higher Education, College and University Funds, reported a current funds unrestricted fund balance deficit of \$228,273 (in thousands) at June 30, 1995.

The previously reported fund balance of the General Fund was \$892,940 at June 30, 1994. This amount has been decreased by \$116,659 and is being restated at \$776,281 as of July 1, 1994 to recognize previously unreported revenues and expenditures as follows (amounts in thousands):

Fund balance previously reported at June 30, 1994 .....	\$ 892,940
Plus: Intergovernmental revenue increase .....	118,480
Less: Public health and welfare expenditure increase .....	(235,139)
Fund balance, as restated, July 1, 1994 .....	\$ 776,281

The components of fund balance which are affected by the reduction of \$116,659 are: a reduction in previously reported unreserved fund balance designated for "other" from \$448,928 to \$411,431 and a reduction in previously reported unreserved/undesignated fund balance from \$79,162 to zero (amounts in thousands.)

The previously reported deficit retained earnings for the Minority Business Development Fund, a proprietary fund, was \$17,157 at June 30, 1994. This deficit amount has been increased by \$6,100 and is being restated at \$23,257 (amounts in thousands) as of July 1, 1994 to recognize a higher allowance for loan losses.

The previously reported assets and liabilities of the agency funds was \$883,010 at June 30, 1994. These amounts have been increased by \$116,452 and are being restated at \$999,462 (amounts in thousands) as of July 1, 1994 to recognize the assets and liabilities of the INVEST Program For Local Governments not previously reported.

## 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.

The Treasury Department uses a variety of sophisticated short and long term investment pools to maximize efficiency, liquidity and yield for Commonwealth funds. All participating funds report amounts invested in such pools as temporary and/or long term investments; the pools themselves are not financially reported. The Treasury Department has also established an investment pool for local governments. Although local governments are not included in the Commonwealth's financial reporting entity, this particular pool, the INVEST Program for Local Governments, is reported as an agency fund.

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. These two Funds also participate in a securities lending program, sponsored by the Treasury Department, and utilize financial instruments with off-balance sheet risk. Specific disclosures about Pension Trust Fund investments are included in this Note.

**Deposits:** The Treasury Department controls the receipt and disbursement of amounts owned by agencies included in the primary government. Certain discretely presented component units, meanwhile, control receipt and disbursement of their own funds, typically through a trustee. The following summaries present the amount of primary government and discretely presented component 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, 1995 (expressed in thousands).

#### Primary Government

	Category 1	Category 2	Category 3	Total Bank Balance	Carrying Amount
Cash .....	\$ 27,009	\$ 8,378	\$ 8,925	\$ 44,312	\$ 108,156
Cash with fiscal agents .....	1,906,694	....	12,406	1,919,100	1,919,100
Certificates of deposit and related items .....	135,098	7,611	35,187	177,896	177,896

The above-listed \$177,896 in certificates of deposit and related items is reported as part of primary government temporary investments at June 30, 1995.

#### Discretely Presented Component Units

	Category 1	Category 2	Category 3	Total Bank Balance	Carrying Amount
Cash .....	\$ 4,153	\$ 1,010	\$ 103,321	\$ 108,484	\$ 100,444
Cash with fiscal agents .....	22,977	....	560	23,537	23,531

**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

## NOTES TO FINANCIAL STATEMENTS

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

#### Primary Government

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, 1995 (expressed in thousands).

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

	<u>Carrying Amount</u>	<u>Market Value</u>
Common and preferred stock .....	\$ 2,410,475	\$ 2,411,076
Corporate bonds and notes .....	2,038,950	2,023,192
International fixed income .....	1,130,969	1,130,969
Repurchase agreements .....	3,032,399	3,032,399
State and municipal obligations .....	543,043	543,043
U.S. Government obligations .....	2,113,480	2,099,613
U.S. Government agency obligations .....	1,171,682	1,159,020
Totals .....	<u>12,440,998</u>	<u>12,399,312</u>
Add invested amounts not susceptible to credit risk categorization:		
Investments owned by the State Employees' Retirement System (SERS) at December 31, 1994:		
Mortgage loans .....	642,265	642,265
Mutual funds .....	4,323,254	4,323,254
Real estate .....	988,568	988,568
Venture capital .....	231,819	231,819
Securities loaned by SERS at December 31, 1994:		
U.S. Government securities .....	311,038	311,038
Corporate bonds and notes .....	16,500	16,500
Common and preferred stocks .....	2,105	2,105
International securities .....	93,076	93,076
Investments owned by the Statutory Liquidator Fund at June 30, 1995:		
Annuities .....	860	860
Insurance company subsidiaries .....	4,150	4,150
Loans .....	1,760	1,760
Mortgage loans .....	36,326	36,326
Partnership interests .....	443	443
	<u>19,093,162</u>	<u>19,051,476</u>
Certificates of deposit and related items .....	<u>177,896</u>	<u>177,896</u>
Total temporary and long-term investments .....	<u>\$ 19,271,058</u>	<u>\$ 19,229,372</u>

The above-listed \$177,896 in CD's are reported as investments at June 30, 1995 but are 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 97 percent of the common and preferred stock, 80 percent of the corporate bonds and notes, 98 percent of international fixed income, 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, 1995.

## NOTES TO FINANCIAL STATEMENTS

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

#### Securities Lending:

The State Employees' Retirement System (SERS) participates in a security lending program, whereby certain securities are transferred to an independent broker/dealer in exchange for collateral equal to at least 102 percent of the market value of securities on loan (reverse repurchase agreements). As the SERS represents only one of several Commonwealth agencies participating in the security lending program and, as collateral received by the custodial agent in exchange for SERS securities is not specifically identifiable by agency, the SERS does not record the receipt of such collateral or the corresponding liability to return collateral via repurchase of securities under loan. Securities under loan, however, are maintained on the SERS's financial records and have been classified accordingly in the summary of investment risk. The SERS has minimized its exposure to credit risk due to broker/dealer default by having the custodial agent determine daily that required collateral meets 102 percent of the market value of securities on loan. The SERS has not experienced any losses due to credit risk on security lending activity since implementation of the program.

These financial instruments necessarily involve counterparty credit exposure. The policy of the SERS is to require collateral to the maximum extent possible under normal trading practices. In the event of counterparty default, the SERS has the right to use the collateral to offset the loss associated with the replacement of the exchange agreements. Specific credit limits have been established for each counterparty and are monitored and adjusted daily. The limits are developed based on the counterparty's creditworthiness, overall industry and other considerations, such as the length and legal structure of the contract, type of collateral advanced, and historical volatility indicators.

#### Financial Instruments With Off-Balance Sheet Risk:

The SERS uses financial instruments including forward exchange contracts to manage market exposure. These instruments are integral to the asset allocation, risk management and control systems of the SERS's investment management strategies and practices. These strategies include holdings of certain foreign debt and equity securities which amounted to approximately \$1.6 billion at December 31, 1994. As a result of these strategies, the SERS enters into forward contracts as hedges relating to identifiable currency positions. Those instruments are designed to minimize exposure and reduce risk from foreign exchange rate fluctuations. Gains and losses on forward exchange contracts which hedge foreign currency assets are recognized as incurred. Such amounts effectively offset gains and losses on the foreign currency assets which are hedged. The SERS does not enter into forward contracts on a speculative basis.

At December 31, 1994, the SERS had contracts maturing through April 5, 1995 to purchase or sell foreign currency as follows (expressed in thousands):

	<u>Buy at Spot Rate</u>	<u>Sell at Spot Rate</u>	<u>Net (Payable) Receivable</u>
Deutschemark .....	\$ 13,456	\$ 17,329	\$ ( 3,873 )
French Franc .....	13,511	27,912	( 14,401 )
Swedish Kroner .....	....	12,935	( 12,935 )
Japanese Yen .....	....	19,001	( 19,001 )
Other .....	7,442	12,842	( 5,400 )
	<u>\$ 34,409</u>	<u>\$ 90,019</u>	<u>\$ ( 55,610 )</u>

Based on limited partnership agreements in the venture capital and alternative investment portfolios, SERS is obligated to invest specific capital amounts committed to these managers. At December 31, 1994 and June 30, 1995, the amount of capital committed for investment is approximately \$225 million and \$420 million, respectively.

## 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 .....	\$ . . . .	\$ 25,267	\$ 65,379	\$ 90,646	\$ 90,646
Common and preferred stock .....	14,389,523	. . . .	944	14,390,467	17,872,491
Corporate bonds and notes .....	1,415,875	15,298	51,755	1,482,928	1,504,197
International fixed income .....	2,644,353	. . . .	. . . .	2,644,353	2,741,216
Mortgage backed securities .....	2,020,593	. . . .	96,945	2,117,538	2,143,479
Repurchase agreements .....	163,076	427,044	180,236	770,356	770,356
State and municipal obligations .....	. . . .	7,400	18,174	25,574	26,618
U.S. Government obligations .....	185,892	373,489	19,285	578,666	606,480
U.S. Government agency obligations .....	1,791,488	. . . .	184,617	1,976,105	2,040,905
Various short-term investments .....	712,362	. . . .	38,322	750,684	751,300
Totals .....	<u>\$ 23,323,162</u>	<u>\$ 848,498</u>	<u>\$ 655,657</u>	<u>24,827,317</u>	<u>28,547,688</u>

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

Investments owned by the Ben Franklin/IRC Partnership in Pennsylvania Treasury investment pool at June 30, 1995 .....	5,245	5,245
Investments owned by the State Public School Building Authority in Pennsylvania Treasury investment pool at June 30, 1995 .....	58,752	58,752
Investments owned by the Pennsylvania Higher Education Assistance Agency at June 30, 1995:		
Money market .....	50,026	50,026
Investment agreements .....	94,357	94,357
Pennsylvania Treasury investment pool .....	134,716	134,716
Investments owned by the Pennsylvania Housing Finance Agency at June 30, 1995:		
Investment agreements .....	68,412	68,412
Mutual funds .....	87,572	87,572
Pennsylvania Treasury investment pool .....	3,159	3,159
Investments owned by the Pennsylvania Industrial Development Authority in Pennsylvania Treasury investment pool at June 30, 1995 .....	863	863
Investments owned by the Pennsylvania Infrastructure Investment Authority in Pennsylvania Treasury investment pool at June 30, 1995 .....	86,835	86,835
Investments owned by the Public School Employees' Retirement System at June 30, 1995:		
Farmland investments .....	76,490	84,107
Limited partnerships .....	75,000	83,408
Pennsylvania Treasury investment pool .....	640,670	640,670
Private placements, fixed income and equity .....	304,056	328,527
Real estate .....	1,007,968	1,006,119
Short term investments — health insurance account .....	31,167	30,996
Venture capital .....	191,076	255,442
Totals .....	<u>\$ 27,743,681</u>	<u>\$ 31,566,894</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 backed securities 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, 1995.

## NOTES TO FINANCIAL STATEMENTS

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

#### Securities Lending:

The Public School Employees' Retirement System (PSERS) participates in a security lending program, whereby, the custodian, acting as the lending agent, loans securities to independent brokers or dealers in exchange for collateral in an amount not less than 102 percent of the market value of any securities loaned except for non-U.S. corporations for which 105 percent of the market value is required. Collateral is marked-to-market daily. If the market value of the collateral held falls below the minimum guidelines for securities loaned, additional collateral is obtained. In lieu of securities or cash, the borrower may deliver to the lending agent irrevocable bank letters of credit for collateral. If the collateral obtained consists in whole or in part of cash, the lending agent may use or invest the cash in accordance with reinvestment guidelines approved by the Commonwealth.

Under the securities lending program, the lending agent provides indemnification to the Commonwealth if the borrowers fail to return the underlying securities (and the collateral is inadequate to replace the loaned securities) or fail to pay income distributions on them. For the year ended June 30, 1995, there were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior period losses.

The Commonwealth will earn the greater of 85 percent of income realized from security lending by the lending agent or \$1 million per month. The PSERS' income from securities lending represents its pro-rata share from participating in the program.

#### Financial Instruments with Off-Balance Sheet Risk:

The PSERS enters into a variety of financial contracts, which include options and futures. The PSERS also enters into foreign exchange positions, such as forward and spot contracts to hedge foreign currency exposure. The PSERS is not a dealer but an end-user of these instruments. The contracts are used primarily to enhance performance and reduce the volatility of the portfolio. Contracts used to enhance performance are fully collateralized, eliminating the use of leverage in the portfolio. The PSERS is exposed to credit risk in the event of nonperformance by counterparties to financial instruments. As the PSERS generally enters into transactions only with high quality institutions, no losses associated with counterparty nonperformance on derivative financial instruments have been incurred. Legal risk is mitigated through careful selection of executing brokers and an extensive process of review of all documentation. The PSERS is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by senior management, by buying or selling instruments or entering into offsetting positions.

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

The following table summarizes the number of open contracts, and aggregate notional or contractual amounts for the PSERS' derivative financial instruments at June 30, 1995 (dollar amounts in thousands):

	Number of contracts	Notional or contractual amount
Futures contracts .....	11,558	\$ 1,638,305
Foreign exchange forward and spot contracts .....	676	6,136,015
Options—calls purchased .....	74,155	117,152
Options—puts purchased .....	86,180	86,122
Options—calls sold .....	125,352	1,038,456
Options—puts sold .....	90,376	366,004

Futures contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specific financial instrument at a predetermined price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that a counterparty will not pay and generally requires margin payments to minimize such risk.

Option contracts provide the option purchaser with the right, but not the obligation, to buy or sell the underlying security at a set price during a period or at a specified date. The option writer is obligated to buy or sell the underlying security if the option purchaser chooses to exercise. The PSERS only utilizes exchange listed index and equity options and primarily call options which settle in cash. The PSERS has authorized investment managers to write covered call stock index options up to an amount of \$1,775 million of the equity portfolio.



## NOTES TO FINANCIAL STATEMENTS

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

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Foreign exchange contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. These contracts primarily consist of forward contracts. The \$6,136 million of foreign currency contracts outstanding at June 30, 1995 consists of "buy" contracts of \$2,504.5 million, which represent the U.S. dollar equivalent of commitments to purchase foreign currency commitments, and "sell" contracts of \$3,631.5 million, which represent U.S. dollar equivalents of commitments to sell foreign currencies.

The PSERS also invests in mortgage-backed securities such as collateralized mortgage obligations (CMO's) and interest-only strips in part to maximize yields and in part to hedge against a rise in interest rates. These securities are sensitive to prepayments by mortgagees, which may result from a drop in interest rates. The carrying value and market value of CMOs at June 30, 1995 is \$932.5 million and \$943.3 million, respectively. The carrying value and market value of interest-only strips at June 30, 1995 is \$46.1 million and \$39.9 million, respectively.

# NOTES TO FINANCIAL STATEMENTS

## NOTE E— FIXED ASSETS

A summary of fixed assets by category at June 30, 1995 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	\$ ....	\$ 241,269	\$ 75,529	\$ ....	\$ 5,206
Buildings .....	3,181	3,699	....	2,693,616	388,095	....	288,576
Improvements other than buildings .....	18,094	832	....	196,895	23,315	....	38,684
Furniture, machinery and equipment .....	66,736	55,042	759	552,997	172,216	13,065	312,104
Turnpike infrastructure .....	....	....	....	....	2,279,759	....	....
Construction in progress .....	....	166	....	231,257	167,822	....	31,003
Total .....	<u>\$ 88,334</u>	<u>\$ 59,745</u>	<u>\$ 759</u>	<u>\$ 3,916,034</u>	<u>\$ 3,106,736</u>	<u>\$ 13,065</u>	<u>\$ 675,573</u>

Changes in general fixed assets for the fiscal year ended June 30, 1995 are as follows (expressed in thousands):

	Balance June 30, 1994	Additions	Retirements	Balance June 30, 1995
Land .....	\$ 238,843	\$ 2,460	\$ 34	\$ 241,269
Buildings .....	2,667,274	26,342	....	2,693,616
Improvements other than buildings .....	196,088	807	....	196,895
Furniture, machinery and equipment .....	503,472	68,281	18,756	552,997
	<u>3,605,677</u>	<u>97,890</u>	<u>18,790</u>	<u>3,684,777</u>
Construction in progress .....	88,645	167,920	25,308	231,257
Totals .....	<u>\$ 3,694,322</u>	<u>\$ 265,810</u>	<u>\$ 44,098</u>	<u>\$ 3,916,034</u>

Interest costs of \$14.5 million were capitalized for the Pennsylvania Turnpike Commission, a discretely presented component unit Proprietary Fund, for the fiscal year ended June 30, 1995.

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, 1995 the amount of general fixed assets related to the initial valuation amounts to \$2,004 million.

Construction in progress included in the General Fixed Assets Account Group at June 30, 1995 is composed of the following (expressed in thousands):

Project	Project Authorization	Expended Through June 30, 1995	Authorization Available
Department of Corrections Institutions .....	\$ 321,494	\$ 137,162	\$ 184,332
Colleges and Universities .....	257,278	39,349	217,929
Capitol Complex Buildings .....	123,422	3,238	120,184
Department of Public Welfare Institutions .....	54,739	13,920	40,819
Veteran Homes and Military Armories .....	53,740	6,298	47,442
Department of Environmental Resources .....	32,082	10,939	21,143
Historical Sites .....	27,742	2,667	25,075
Department of Transportation .....	25,982	8,122	17,860
Other .....	47,109	9,562	37,547
Total .....	<u>\$ 943,588</u>	<u>\$ 231,257</u>	<u>\$ 712,331</u>

## NOTE F— DUE FROM OTHER GOVERNMENTS

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

# NOTES TO FINANCIAL STATEMENTS

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

**Taxes Receivable:** Taxes receivable at June 30, 1995 consisted of the following (expressed in thousands):

	General Fund	Special Revenue Funds	Trust and Agency Funds	Total
Sales and use .....	\$ 494,171	\$ 15,748	\$ ....	\$ 509,919
Unemployment compensation .....	.....	.....	389,960	389,960
Personal income .....	186,370	.....	.....	186,370
Corporation .....	79,888	.....	.....	79,888
Liquid fuels .....	.....	57,199	2,596	59,795
Other .....	20,544	60,518	.....	81,062
	<u>\$ 780,973</u>	<u>\$ 133,465</u>	<u>\$ 392,556</u>	<u>\$ 1,306,994</u>

**Notes and Loans Receivable:** Loans receivable at June 30, 1995 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 .....	\$ ....	\$ ....	\$ 2,176,385	\$ ....
Student loans .....	.....	.....	1,579,781	34,542
Business development loans .....	63,675	209,808	494,113	.....
Water and sewer system loans .....	26,702	.....	890,253	.....
Volunteer fire company loans .....	.....	63,521	.....	.....
Other notes and loans .....	6,389	12,544	.....	.....
	<u>96,766</u>	<u>285,873</u>	<u>5,140,532</u>	<u>34,542</u>
Less: Allowance for uncollectible accounts .....	6,922	40,304	143,048	7,775
Notes and loans receivable, net .....	<u>\$ 89,844</u>	<u>\$ 245,569</u>	<u>\$ 4,997,484</u>	<u>\$ 26,767</u>

Discretely presented component unit governmental funds reported \$1,629 thousand of loans to school districts at June 30, 1995.

**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 deposits 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, 1995, the difference representing interest of \$1 million. For discretely presented component units, total minimum lease payments was \$4,010 million, the present value was \$2,313 million and interest was \$1,697 million. A discretely presented proprietary fund component unit reported a lease rental

## NOTES TO FINANCIAL STATEMENTS

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

receivable of \$13.7 million at June 30, 1995. Minimum lease payments for the five fiscal years succeeding June 30, 1995 are as follows (expressed in thousands):

Fiscal Year Ending June 30	Primary Government	Discretely Presented Governmental Fund Component Units
1996 . . .	\$ 482	\$ 190,095
1997 . . .	274	213,074
1998 . . .	270	197,823
1999 . . .	268	194,598
2000 . . .	267	196,192

### 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, 1995 is as follows (expressed in thousands):

FUND TYPE/FUND	DUE FROM		DUE TO	
	OTHER FUNDS	COMPONENT UNITS	OTHER FUNDS	COMPONENT UNITS
<b>PRIMARY GOVERNMENT</b>				
General .....	\$ 34,664	\$ 2,608	\$ 122,557	\$ 103,642
Special Revenue:				
State Lottery Fund .....	581	....	17,407	....
State Racing Fund .....	....	....	7,792	....
Pharmaceutical Assistance Fund .....	17,000	....	10	....
Agricultural Conservation Easement Fund .....	10,727	....	....	....
Hazardous Sites Clean-up Fund .....	21,667	....	253	....
Motor License Fund .....	4,186	1,269	20,281	3,531
Vocational Rehabilitation Fund .....	25	....	3,349	....
Other Funds .....	6,580	....	9,307	....
	<u>60,766</u>	<u>1,269</u>	<u>58,399</u>	<u>3,531</u>
Debt Service:				
Pennsylvania Infrastructure Investment Authority Redemption Fund .....	....	35,753	....	....
Tax Note Sinking Fund .....	....	....	1,874	....
Other Funds .....	233	....	....	....
	<u>233</u>	<u>35,753</u>	<u>1,874</u>	<u>....</u>
Capital Projects:				
Capital Facilities Fund .....	1,173	....	879	....
Other Funds .....	....	....	21	....
	<u>1,173</u>	<u>....</u>	<u>900</u>	<u>....</u>
Enterprise:				
State Stores Fund .....	111	....	16,698	....
State Workmen's Insurance Fund .....	226	....	6,701	....
Rehabilitation Center Fund .....	2,714	....	155	....
Other Funds .....	316	....	2,033	....
	<u>3,367</u>	<u>....</u>	<u>25,587</u>	<u>....</u>
Internal Service:				
Purchasing Fund .....	13,311	977	3,418	....
Manufacturing Fund .....	2,348	30	194	....
	<u>15,659</u>	<u>1,007</u>	<u>3,612</u>	<u>....</u>
Expendable Trust:				
Unemployment Compensation Fund .....	3,368	283	....	....
Other Funds .....	3	....	119	....
	<u>3,371</u>	<u>283</u>	<u>119</u>	<u>....</u>
Pension Trust:				
State Employees' Retirement System .....	70,351	8,901	156	....
Agency:				
All Funds .....	5,488	....	613	....
<b>TOTAL PRIMARY GOVERNMENT .....</b>	<b><u>\$ 195,072</u></b>	<b><u>\$ 49,821</u></b>	<b><u>\$ 213,817</u></b>	<b><u>\$ 107,173</u></b>

**NOTES TO FINANCIAL STATEMENTS**

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

<u>DISCRETELY PRESENTED COMPONENT UNITS</u>	<u>DUE FROM</u>		<u>DUE TO</u>	
	<u>OTHER FUNDS</u>	<u>PRIMARY GOVERNMENT</u>	<u>OTHER FUNDS</u>	<u>PRIMARY GOVERNMENT</u>
Governmental .....	\$ ....	\$ ....	\$ ....	\$ 1
Proprietary:				
Pennsylvania Infrastructure Investment Authority .....	....	....	....	35,813
Pennsylvania Turnpike Commission .....	....	3,297	....	3,999
Other Funds .....	....	....	....	907
	....	3,297	....	40,719
Fiduciary:				
Public School Employees' Retirement System .....	....	103,640	....	687
College and University .....	137,071	....	137,071	7,113
<b>TOTAL DISCRETELY PRESENTED COMPONENT UNITS .....</b>	<b>\$ 137,071</b>	<b>\$ 106,937</b>	<b>\$ 137,071</b>	<b>\$ 48,520</b>

## NOTES TO FINANCIAL STATEMENTS

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

The amount of total interfund receivables of \$488,901 does not agree with total interfund payables of \$506,581 at June 30, 1995 due to different fiscal year ends for certain funds included in the combined balance sheet at June 30, 1995. 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, 1994. 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, 1994 and May 31, 1995. The following presents a reconciliation of interfund accounts reported at June 30, 1995 (expressed in thousands) and those amounts which would have been reported if all funds used the same fiscal year end:

<b>Due from other funds - Combined Balance Sheet at June 30, 1995</b> .....	\$ 332,143
<b>Due from primary government - Combined Balance Sheet at June 30, 1995</b> .....	106,937
<b>Due from component units - Combined Balance Sheet at June 30, 1995</b> ...	49,821
<b>Interfund receivables — Combined Balance Sheet</b> .....	<u>488,901</u>
Pennsylvania Turnpike Commission increase in receivables from June 1, 1995 through June 30, 1995 .....	236
State Workmen's Insurance Fund increase in receivables from January 1, 1995 through June 30, 1995 .....	443
State Employees' Retirement System increase in receivables from January 1, 1995 through June 30, 1995 .....	<u>11,807</u>
<b>TOTAL INTERFUND RECEIVABLES</b> .....	<u>\$ 501,387</u>
<b>Due to other funds - Combined Balance Sheet at June 30, 1995</b> .....	\$ 350,888
<b>Due to primary government - Combined Balance Sheet at June 30, 1995</b> .....	48,520
<b>Due to component units - Combined Balance Sheet at June 30, 1995</b> .....	107,173
<b>Interfund payables — Combined Balance Sheet</b> .....	<u>506,581</u>
Deferred Compensation Fund decrease in payables from January 1, 1995 through June 30, 1995 .....	( 81 )
State Employees' Retirement System increase in payables from January 1, 1995 through June 30, 1995 .....	193
State Workmen's Insurance Fund decrease in payables from January 1, 1995 through June 30, 1995 .....	( 6,135 )
Pennsylvania Turnpike Commission increase in payables from June 1, 1995 through June 30, 1995 .....	<u>829</u>
<b>TOTAL INTERFUND PAYABLES</b> .....	<u>\$ 501,387</u>

At June 30, 1995 the General Fund has reported Advances to Other Funds of \$70,475 (in thousands). Specifically, this amount has been advanced as follows: \$66,000 to the State Stores Fund, \$2,300 to the State Workmen's Insurance Fund, both Enterprise Funds and \$2,175 to the Motor License Fund, a Special Revenue Fund. These amounts have been reported by the respective owing Funds as Advances from Other Funds, except for the State Workmen's Insurance Fund, which has reported an advance of \$2,000 for its fiscal year ended December 31, 1994.

At June 30, 1995 the Hazardous Sites Cleanup Fund, a Special Revenue Fund, has reported an advance to other funds of \$3,000 (in thousands). This amount was advanced to the Air Quality Improvement Fund, a Special Revenue Fund, which has reported an advance from other funds of \$3,000 (in thousands).

## 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, 1995 is as follows (expressed in thousands):

<u>FUND TYPE/FUND</u> <u>PRIMARY GOVERNMENT</u>	OPERATING TRANSFERS			
	IN	FROM COMPONENT UNITS	OUT	To COMPONENT UNITS
General .....	\$ 341,328	\$ ....	\$ 603,819	\$ 683,224
Special Revenue:				
State Lottery Fund .....	347	....	238,856	....
Motor License Fund .....	27,103	....	492,439	....
Pharmaceutical Assistance Fund .....	217,000	....	....	....
Vocational Rehabilitation Fund .....	28,446	....	....	....
Pennsylvania Economic Revitalization Fund .....	41,799	....	1,040	....
Nursing Home Loan Development Fund .....	....	....	17,238	....
Other Funds .....	9,104	....	19,632	....
	323,799	....	769,205	....
Debt Service:				
Land and Water Development Sinking Fund .....	27,708	....	....	....
Water Facilities Loan Redemption Fund .....	19,331	....	....	....
Capital Debt Fund .....	646,111	....	....	....
Pennsylvania Infrastructure Investment Authority Redemption Fund .....	20,880	....	....	....
Local Criminal Justice Sinking Fund .....	10,845	....	....	....
Pennsylvania Economic Revitalization Sinking Fund .....	13,311	....	....	....
Other Funds .....	27,559	....	1,938	....
	765,745	....	1,938	....
Capital Projects:				
Capital Facilities Fund .....	....	....	25,450	....
Land and Water Development Fund .....	....	....	489	....
	....	....	25,939	....
Enterprise:				
State Stores Fund .....	....	....	61,069	....
Expendable Trust:				
Tuition Payment Fund .....	....	....	6	....
Pension Trust:				
State Employees' Retirement System .....	....	6,677	....	6,671
<b>TOTAL PRIMARY GOVERNMENT .....</b>	<b>\$ 1,430,872</b>	<b>\$ 6,677</b>	<b>\$ 1,461,976</b>	<b>\$ 689,895</b>

<u>DISCRETELY PRESENTED COMPONENT UNITS</u>	OPERATING TRANSFERS			
	IN	FROM PRIMARY GOVERNMENT	OUT	To PRIMARY GOVERNMENT
Governmental Funds .....	\$ 392,056	\$ 32,290	\$ 392,056	\$ ....
Proprietary:				
Pennsylvania Higher Education Assistance Agency .....	....	251,752	....	....
Pennsylvania Housing Finance Agency .....	....	32,500	....	....
	....	284,252	....	....
Fiduciary:				
Public School Employees' Retirement System .....	....	9,908	....	11,171
College and University Funds .....	....	373,682	....	....
<b>TOTAL DISCRETELY PRESENTED COMPONENT UNITS .....</b>	<b>\$ 392,056</b>	<b>\$ 700,132</b>	<b>\$ 392,056</b>	<b>\$ 11,171</b>

## NOTES TO FINANCIAL STATEMENTS

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

The amount of total operating transfers in of \$2,529,737 does not agree with total operating transfers out of \$2,555,098 for the fiscal year ended June 30, 1995 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, 1994. 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 .....	\$ 1,822,928
Operating transfers from primary government .....	700,132
Operating transfers from component units .....	6,677
Sub-total interfund operating transfers in .....	2,529,737
State Employees' Retirement System increase in operating transfers in for the period January 1, 1995 to June 30, 1995 .....	4,494
TOTAL OPERATING TRANSFERS IN .....	\$ 2,534,231
Operating transfers out - all funds .....	\$ 1,854,032
Operating transfers to primary government .....	11,171
Operating transfers to component units .....	689,895
Sub-total interfund operating transfers out .....	2,555,098
Transfer to the State Workmen's Insurance Fund (during its fiscal year ended December 31, 1994) which was reported as a reduction in provision for uncollectible accounts .....	(24,104)
State Employees' Retirement System increase in operating transfers out for the period January 1, 1995 to June 30, 1995 .....	3,237
TOTAL OPERATING TRANSFERS OUT .....	\$ 2,534,231

Increases and decreases in contributed capital for proprietary fund types—primary government and discretely presented component units—during the fiscal year ended June 30, 1995 are summarized as follows (amounts in thousands):

<b>Cash flows from noncapital financing activities:</b>	
Increases in contributed capital—primary government .....	\$ 7,525
Increases in contributed capital—discretely presented component unit .....	1,503
<b>Cash flows from capital and related financing activities:</b>	
Increases in contributed capital—primary government .....	32,000
Decrease in contributed capital—primary government .....	(13,700)
Increases in contributed capital—discretely presented component units .....	74,381
Decreases in contributed capital—discretely presented component units .....	(4,697)
Net increase in contributed capital for proprietary fund types—primary government and discretely presented component units .....	\$ 97,012

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 .....	\$ 34,570
add: general obligation bond proceeds and federal funds received by the Pennsylvania Infrastructure Investment Authority .....	58,777
less: program grants disbursed by the Pennsylvania Infrastructure Investment Authority .....	(4,697)
add: federal funds received by the Turnpike Commission .....	6,539
add: federal funds received by the Capital Loan Fund .....	324
add: other increase to Pennsylvania Housing Finance Agency .....	1,503
less: other decrease from the Capital Loan Fund to a private organization .....	(2)
less: other decrease to the Hiram G. Andrews Center .....	(2)
Net increase in contributed capital for proprietary fund types—primary government and discretely presented component units .....	\$ 97,012



# NOTES TO FINANCIAL STATEMENTS

## NOTE I—RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS

### PENSION SYSTEMS

Commonwealth laws established contributory defined benefit pension plans covering substantially all Commonwealth, public school, local government and certain other employees. Commonwealth employees are members of the State Employees' Retirement System (SERS), a blended component unit. The SERS is the only blended component unit in the financial reporting entity and it is the only pension trust fund included in the primary government. Public school employees are members of the Public School Employees' Retirement System (PSERS), a discretely presented component unit. The PSERS is the only Fiduciary Fund reported as a discretely presented component unit.

The SERS follows the accounting and reporting requirements of the Financial Accounting Standards Board's (FASB) Statement 35 and the PSERS follows the National Council on Governmental Accounting's Statement 1. Both the SERS and the PSERS currently follow the disclosure requirements of the Governmental Accounting Standards Board's (GASB) Statement 5, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers." FASB Statement 35 provides authoritative guidance on accounting and financial reporting for defined benefit public employee retirement systems and GASB Statement 5 provides disclosure guidance. The following summaries present disclosure requirements for both the SERS and the PSERS for their fiscal years ended December 31, 1994 and June 30, 1995, respectively.

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

### STATE EMPLOYEES' RETIREMENT SYSTEM

**Plan Description:** The SERS is the administrator of a cost-sharing multiple-employer retirement system established by the Commonwealth of Pennsylvania (Commonwealth) to provide pension benefits for employees of state government and certain other organizations. At December 31, 1994 there were 110 participating state and other organizations. At December 31, 1994 the actuarially-computed annualized covered payroll was \$3,714 million. For the same period, the covered payroll for agencies included in the Commonwealth's financial reporting entity was \$3,341 million, or 92 percent of total payroll of \$3,622 million, for the Commonwealth's financial reporting entity.

Membership in the SERS is mandatory for most state employees, members and employees of the legislature and certain elected persons in the executive branch. Certain other employees are not required, but are given the option to participate. At December 31, 1994 the SERS membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving benefits .....	85,290
Current employees:	
Vested .....	66,320
Nonvested .....	47,800
Total members .....	<u>199,410</u>

The SERS provides retirement, death, and disability benefits. Retirement benefits vest after 10 years of credited service. Employees who retire at age 60 or, if under age 60 with 35 years of service, are entitled to a normal (unreduced) annual retirement benefit. Members of the legislature and certain employees classified in hazardous duty positions can retire with full benefits at age 50.

The general annual benefit is 2 percent of the member's high-three year average salary times years of service. Members of the legislature who were members of the SERS before March 1, 1974 are entitled to a benefit of 7.5 percent of average salary for each year of legislative service. State police troopers are entitled to an annual benefit equal to a percentage of their highest annual salary (excluding the year of retirement). The annual benefit is 75 percent of salary for 25 or more years of service and 50 percent of salary for 20-24 years of service.

## NOTES TO FINANCIAL STATEMENTS

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

Covered employees are required by statute to contribute 5 percent of their gross pay to the SERS. Increased contributions are required of legislators who were members prior to March 1, 1974 and judges (18.75 percent and 7.5 to 10 percent of gross pay, respectively) who are entitled to increased benefits. The contributions are recorded in individually identified accounts which are also credited with interest, calculated quarterly to yield 4 percent per annum, as mandated by statute. Accumulated employee contributions and credited interest, which amounted to \$2,353 million as of December 31, 1994, vest immediately and are returned upon termination of service if the employee is not eligible for other benefits.

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

The fair value of individual investments at December 31, 1994 that represent 5 percent or more of the SERS net assets available for benefits are as follows (expressed in thousands):

Wells Fargo Nikko Investment Advisors:	
Equity Index Fund P—131,531,390 units .....	\$ 2,064,180
70/30 Enhanced U.S. Tactical Asset Allocation Fund—48,985,876 units ..	706,476
Extended Equity Market Fund—16,348,703 units .....	764,328

The SERS owned no securities issued by the Commonwealth or related parties and made no loans to the Commonwealth or related parties during the year ended December 31, 1994.

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

The pension benefit obligation was determined as part of an actuarial valuation at December 31, 1994. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 9.25 percent per year compounded annually, (b) projected salary increases of 4 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 2.7 percent per year, attributable to merit/promotion, and (d) no postretirement benefit increases.

Net assets in excess of the pension benefit obligation at December 31, 1994 totalled \$158 million as calculated below (expressed in thousands):

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving benefits .....	\$ 5,117,258
Current employes:	
Accumulated member contributions with interest .....	2,349,731
Employer-financed, vested .....	5,219,026
Employer-financed, nonvested .....	485,856
Total pension benefit obligation .....	13,171,871
Net assets available for benefits (at market value) .....	13,330,963
Net assets in excess of pension benefit obligation .....	\$ 159,092

**Contributions:** The SERS funding policy provides for periodic member contributions at statutory rates and employer contributions at actuarially determined rates (expressed as a percentage of annual gross pay) that are sufficient to accumulate assets to pay benefits when due. All required 1994 contributions were made.

## NOTES TO FINANCIAL STATEMENTS

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

Employer contribution rates are determined using the entry age normal actuarial cost method, with amortization of the unfunded actuarial asset of \$249 million and of the supplemental annuities arising from cost of living and other adjustments over varying periods ending June 30, 2014. These rates are computed on a Commonwealth fiscal year basis such that employer contribution rates in effect for the SERS for 1994 reflect a blended average of those in effect through June 30, 1994 and subsequent to that date, as calculated based upon actuarial valuations prepared as of December 31, 1993 and December 31, 1994, respectively. The actuarially determined contribution requirement for the year ended December 31, 1994 consisted of (amounts in thousands):

	<u>% of Current Covered Payroll</u>	<u>Amount</u>
Employer normal cost .....	10.02	\$ 376,897
Amortization of unfunded actuarial liability (assets) .....	( 2.13 )	( 80,119 )
Amortization of supplemental annuities. ....	1.01	37,991
Total contribution requirement .....	<u>8.90</u>	<u>\$ 334,769</u>

Member contributions amounted to \$193 million, or 5.20 percent and employer contributions amounted to \$343 million, or 9.24 percent, of total actual covered payroll of \$3,713 million, for the year ended December 31, 1994. Total employer contributions of \$343 million are more than the above actuarially determined contribution requirement of \$335 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, and actual employer contribution rates which were slightly higher than those determined by the actuarial valuation. Total employer contributions amounted to \$336 million for the fiscal year ended June 30, 1995, of which \$316 million relates to agencies included in the Commonwealth's financial reporting entity. The Commonwealth employer contributions of \$316 million approximate 89 percent of total employer contributions of \$356 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 1994 graded down to 6 percent after 2015.

### THREE-YEAR HISTORICAL TREND INFORMATION

	<u>Year Ended December 31</u>		
	<u>1994</u>	<u>1993</u>	<u>1992</u>
Net assets available for benefits as a percentage of the pension benefit obligation applicable to covered employees .....	101.2 %	115.6 %	111.7 %
Assets in excess of pension benefit obligation as a percentage of the SERS's annual covered payroll .....	4.3	52.1	38.9
Employer contributions to the pension plan as a percentage of annual covered payroll .....	9.2	8.6	9.5

All required contributions were made, in accordance with actuarially determined requirements, for each of the three years ended December 31, 1994, 1993 and 1992.

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, 1994 is as follows (expressed in thousands):

Actuarial present value of accumulated plan benefits:	
Vested benefits:	
Participants currently receiving payments .....	\$ 5,551,363
Other participants .....	5,654,105
	11,205,468
Nonvested benefits .....	200,517
Total .....	\$ 11,405,985

Changes in accumulated plan benefits as of December 31, 1994 are as follows (expressed in thousands):

Actuarial present value of accumulated plan benefits at December 31, 1993 .....	\$ 10,631,427
Changes during the year attributable to:	
Passage of time .....	421,308
Change in plan provisions .....	353,250
Net increase .....	774,558
Actuarial present value of accumulated plan benefits at December 31, 1994 .....	\$ 11,405,985

The change in plan provisions resulted primarily from Act 1994-29 (the Act) which was enacted on April 29, 1994 and, among other things, provided a cost of living adjustment (COLA) to annuitants with an effective date of retirement on or prior to June 30, 1992. The COLA provides for an additional monthly annuity of between 1.50 percent to 7.90 percent based on date of retirement. The Act also provides for a monthly longevity supplement for members with 20 or more years of service with a date of retirement on or before July 1, 1984.

The significant actuarial assumptions used in the valuation of the actuarial present value of accumulated plan benefits as of December 31, 1994 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, 1995

## NOTES TO FINANCIAL STATEMENTS

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

there were 635 reporting units, generally school districts. Membership as of June 30, 1994, the most recent year for which actual amounts are available, consisted of:

Retirees and beneficiaries currently receiving benefits .....	115,000
Inactive members and vestees entitled to, but not yet receiving benefits .....	36,000
	151,000
Current employees:	
Vested .....	119,000
Nonvested .....	87,000
	206,000
Total members .....	357,000

During the fiscal year ended June 30, 1995 the estimated current covered payroll for public school employees was \$7,429 million. Total payroll for public school employees was substantially the same. The annualized covered payroll at June 30, 1994, the date of the most recent actuarial valuation, was \$6,856 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 employees 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.

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. In addition, under Act 29, members older than normal retirement age may apply for disability benefits.

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 and amended by Act 29, who elect to participate. Under this provision, an employer contribution rate for premium assistance was established for the fiscal year that began July 1, 1991 to provide reserves in the Health Insurance Account 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, 1994, 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, 1994 the unfunded pension benefit obligation was \$2,811 million as follows (expressed in thousands):

<b>Pension benefit obligation:</b>	
Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving benefits .....	\$ 9,821,881
Health care payments .....	39,331
<b>Current members:</b>	
Accumulated member contributions with interest .....	4,324,422
System-financed vested .....	4,116,912
System-financed nonvested .....	7,960,326
Total pension benefit obligation .....	26,262,872
Net assets available for benefits, at cost (market value is \$24,778,415) .....	23,451,675
Unfunded pension benefit obligation .....	\$ 2,811,197

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, 1994 the combined (employer and Commonwealth) contribution rate was decreased from 13.17 to 11.06 percent of covered payroll. This rate is comprised of a pension contribution rate of 10.61 percent for pension benefits plus a health care contribution rate of .45 percent for health insurance premium assistance. The components of this contribution rate, and the related amounts, are summarized as follows (amounts in thousands):

	% of Current Covered Payroll	Amount
Employer normal cost .....	6.43	\$ 479,971
Amortization of unfunded actuarial accrued liability and supplemental annuities .....	4.18	312,076
Health care contribution rate .....	.45	33,575
Total contribution requirement .....	<u>11.06</u>	<u>\$ 825,622</u>

The employer and the Commonwealth equally share the cost of required contributions and all required contributions were made. For the fiscal year ended June 30, 1995 Commonwealth school districts contributed \$415 million and the Commonwealth contributed \$411 million to the System. The Commonwealth contribution approximates 5.53 percent of current covered payroll. Employee contributions of \$429 million approximate 6.3 percent of covered payroll of \$6,856 million for the year ended June 30, 1994, the most recent year for which actual amounts are available. Effective July 1, 1995 employers will pay the Commonwealth's share of the contribution rate rather than the current equal sharing between the employers and the Commonwealth. Employers will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's proportionate share.

Based on the June 30, 1994 valuation, the unfunded actuarial liability is \$3,797 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, 1995 the System owned no securities issued by school districts, the Commonwealth or any related parties and made no loans to school districts, the Commonwealth or any related party.

#### OTHER POSTEMPLOYMENT BENEFITS

The Commonwealth provides certain health care benefits for retired employees that meet specified length-of-service and age requirements. These benefits are provided as a result of negotiated union contracts and through administrative policy. The Commonwealth recognizes the cost of providing these benefits as paid, which totalled \$147 million for the fiscal year ended June 30, 1995. Approximately 52,000 individuals qualified for these benefits during the fiscal year.

The Commonwealth provides several other postemployment benefits, including disability life insurance and certain benefits to beneficiaries of state police officers killed in the line of duty. The amount expended for these benefits was not material during the fiscal year ended June 30, 1995.

# NOTES TO FINANCIAL STATEMENTS

## NOTE J—NOTES AND DEMAND REVENUE BONDS PAYABLE

### Primary Government

During the fiscal year ended June 30, 1995 the Commonwealth issued \$600 million of tax anticipation notes which matured on June 30, 1995. The \$19.8 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 reported \$713 thousand of notes payable as of June 30, 1995 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 reported \$2.7 million of notes payable at June 30, 1995, 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 is due April 28, 1996. It is renewable on an annual basis for a term not to exceed two 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 earned by the Treasury Short Term Investment Pool. The interest rate at June 30, 1995 was 5.68 percent. The note is collateralized by investments the SPSBA has made with the Treasury. The SPSBA has agreed 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. The outstanding balance of the note payable at June 30, 1995 was \$47.4 million.

The Pennsylvania Higher Education Assistance Agency (PHEAA), a proprietary fund component unit, has reported \$546.0 million of demand revenue bonds outstanding and \$605 million of notes payable consisting of student loan financing of \$580.3 million and capital financing arrangements of \$24.7 million at June 30, 1995. Demand revenue bonds at June 30, 1995 consist of the following (expressed in thousands):

	Student Loan Revenue Bonds 1994 Series A	Student Loan Adjustable Rate Tender Revenue Bonds 1988 Series E	Student Loan Adjustable Rate Tender Revenue Bonds 1988 Series C	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 .....	\$125,000	\$ 36,000	\$ 75,000	\$110,000	\$100,000	\$100,000
Date of issue .....	12/15/94	8/94	8/94	7/29/88	1/28/88	7/19/84
Interest rate .....	4.1%	4.1%	4.1%	4.1%	4.1%	4.2%
Due date .....	12/1/24	1/1/19	1/1/19	7/1/18	1/1/18	12/1/00
Letter of credit:						
Principal amount .	\$133,425	\$ 36,592	\$ 76,233	\$119,625	\$101,643	\$103,082
Expiration date ....	12/14/99	7/31/99	7/31/99	7/31/95	12/7/99	12/15/00

The 1994 and 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, 1995.



## 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, 1995 consist of the following (expressed in thousands):

Line of credit agreement dated November 5, 1992 with interest at prime, 9.0 percent (paid quarterly) and annual principal payments. Principal not to exceed \$16 million .....	\$ 9,500
Amount due under revolving credit agreement dated September 23, 1994, through June 15, 1996. Interest rate at June 30, 1995 was 6.85 percent. Principal not to exceed \$60 million .....	52,200
Note payable, interest at 91 day U.S. Treasury Bill rate plus .9 percent (6.848 percent at June 30, 1995), due February 28, 1997 .....	70,000
Note purchase agreement dated May 1, 1990, amended subsequent to May 1, 1992, and extended through October 31, 1996. 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 (6.448 percent at June 30, 1995) .....	299,060
Note purchase agreement dated September 21, 1994, due April 1, 1996. Principal not to exceed \$200 million. Interest is the 91 day Treasury Bill rate plus .65 percent (6.598 percent at June 30, 1995) .....	149,500
Total .....	<u>\$ 580,260</u>

Capital financing arrangements for PHEAA at June 30, 1995 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 .....	\$ 3,230
Note payable refinanced in October 1992 with interest at 5.54 percent and monthly payments of principal and interest through November 1, 1997 .....	7,645
Note payable dated December 31, 1992 with interest at 6.7 percent and semiannual payments of principal and interest through December 31, 2002 .....	2,626
Loan security agreement dated April 12, 1994 with interest at prime, 9.0 percent (paid quarterly) and annual principal payments .....	1,534
Amounts due under various installment purchase agreements bearing interest at various rates that average approximately 6.1 percent .....	9,702
Total .....	<u>\$ 24,737</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, 1995 and through maturity are as follows:

1996 .....	\$ 8,260
1997 .....	8,183
1998 .....	3,384
1999 .....	1,538
2000 .....	364
Thereafter .....	3,008
Total .....	<u>\$ 24,737</u>

## NOTES TO FINANCIAL STATEMENTS

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

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The Pennsylvania Housing Finance Agency (PHFA), a proprietary fund component unit, maintains two lines of credit with the Pennsylvania Treasury Department under which it may borrow up to \$15 million and \$50 million to fund its multi-family housing program. 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, 1995 \$4 million and \$20 million were owed at a range of 4.47 to 6.98 percent and 4.24 to 6.13 percent, respectively, against the \$15 million and \$50 million lines of credit. Total reported notes payable at June 30, 1995 for the PHFA is \$24 million.

# NOTES TO FINANCIAL STATEMENTS

## NOTE K—LONG-TERM OBLIGATIONS

Long-term obligations of the Commonwealth's primary government at June 30, 1995 and changes for the fiscal year then ended are as follows (expressed in thousands):

GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP	Issue Dates	Interest Rates	Maturity Dates Through	Bonds Authorized But Unissued	Balance July 1, 1994	Additions	Reductions	Balance June 30, 1995
<b>General Obligation Bonds Payable From Tax Revenues:</b>								
Capital Facilities .....	1968-95	3.00-10.16%	2015	\$ 16,496,744	\$ 2,901,365	\$ 375,000	\$ 395,520	\$ 2,880,845
Disaster Relief .....	1973-89	4.91- 7.69%	2003	21,908	51,160	....	6,025	45,135
Land and Water Development .....	1969-94	3.00- 7.30%	2014	300	126,885	....	21,145	105,740
Nursing Home Loan Development .....	1977-86	5.00- 8.26%	2006	31,000	17,745	....	5,025	12,720
Project 70 Land Acquisition .....	1970	6.26%	2000	....	3,930	....	550	3,380
Volunteer Companies Loan .....	1977-94	3.00-10.75%	2014	10,000	23,935	....	2,035	21,900
<b>Vietnam Conflict Veterans</b>								
Compensation .....	1970-74	5.36- 6.11%	2003	3,000	14,380	....	1,770	12,610
Water Facilities Loan .....	1983-95	3.00- 8.75%	2015	35,500	144,530	2,000	13,600	132,930
<b>Pennsylvania Economic Revitalization ..</b>								
<b>Pennsylvania Infrastructure</b>								
Investment Authority .....	1988-95	3.00- 7.20%	2015	364,500	237,985	3,000	10,265	230,720
<b>Agricultural Conservation Easement</b>								
Purchase .....	1991-94	3.50- 6.75%	2014	19,000	69,370	8,000	2,670	74,700
Local Criminal Justice .....	1992-95	3.00- 6.75%	2015	25,000	115,910	57,000	3,635	169,275
<b>Keystone Recreation, Park and</b>								
Conservation .....	1994-95	5.00- 6.75%	2015	38,000	....	12,000	....	12,000
Refunding Bonds .....	1985-94	3.00- 7.50%	2010	....	1,298,647	12,630	59,310	1,251,967
				<u>17,060,952</u>	<u>5,100,012</u>	<u>469,630</u>	<u>528,980</u>	<u>5,040,662</u>
<b>Other General Long-Term Obligations</b>								
<b>Payable From Tax Revenues:</b>								
Installment Purchase Obligations .....	....	....	....	....	6,126	15,100	8,061	13,165
Capital Lease Obligations .....	....	....	....	....	61,720	328	1,424	60,624
<b>Obligations Under Master Lease</b>								
Agreement—Equipment .....	....	....	....	....	95,420	48,860	38,675	105,605
<b>Obligations Under Master Lease—</b>								
Prison Facilities .....	....	....	....	....	762,495	....	4,775	757,720
Self-Insurance—Note O .....	....	....	....	....	826,682	260,133	108,347	978,468
Compensated Absences .....	....	....	....	....	475,352	255,889	224,844	506,397
Catastrophic Motor Vehicle Losses .....	....	....	....	....	264,279	....	82,935	181,344
Other .....	....	....	....	....	869,044	483,489	313,910	1,038,623
				....	<u>3,361,118</u>	<u>1,063,799</u>	<u>782,971</u>	<u>3,641,946</u>
<b>TOTAL GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP</b> .....				<b>\$ 17,060,952</b>	<b>\$ 8,461,130</b>	<b>\$ 1,533,429</b>	<b>\$ 1,311,951</b>	<b>\$ 8,682,608</b>

Long-term obligations of the discretely presented component unit organizations at June 30, 1995 (May 31, 1995 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 .....	1969-95	2.70- 9.63%	2031	\$ 1,933,452	\$ 272,359	\$ 102,865	\$ 2,102,946
State Public School Building Authority ..	1986-95	2.75- 7.90%	2017	280,893	76,107	40,795	316,205

#### TOTAL GOVERNMENTAL FUNDS

				<u>\$ 2,214,345</u>	<u>\$ 348,466</u>	<u>\$ 143,660</u>	<u>\$ 2,419,151</u>
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### PROPRIETARY FUNDS

#### Revenue Bonds Payable From User

##### Charges:

##### Pennsylvania Higher Education

Assistance Agency .....	1985-92	3.84-10.70%	2026	\$ 848,785	\$ ....	\$ 111,000	\$ 737,785	
Pennsylvania Housing Finance Agency ..	1982-95	2.88-10.875%	2028	1,948,953	260,000	78,675	2,130,278	
<b>Pennsylvania Industrial Development</b>								
Authority .....	1994	4.50- 7.00%	2014	354,330	....	4,335	349,995	
Pennsylvania Turnpike Commission .....	1986-94	2.50-7.875%	2019	1,268,275	....	15,715	1,252,560	
<b>Pennsylvania Infrastructure Investment</b>								
Authority .....	1990-94	3.10- 7.15%	2014	191,385	35,000	6,375	220,010	
				<u>4,611,728</u>	<u>295,000</u>	<u>216,100</u>	<u>4,690,628</u>	

Less: Bond discounts .....	....	....	....	68,230	1,972	5,660	64,542
Deferred costs of refunding .....	....	....	....	....	884	....	884

<b>TOTAL PROPRIETARY FUNDS</b> .....				<b>\$ 4,543,498</b>	<b>\$ 292,144</b>	<b>\$ 210,440</b>	<b>\$ 4,625,202</b>
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### TOTAL COMPONENT UNIT

<b>LONG-TERM OBLIGATIONS</b> .....				<b>\$ 6,757,843</b>	<b>\$ 640,610</b>	<b>\$ 354,100</b>	<b>\$ 7,044,353</b>
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# 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 .....	\$ 599,008
Public Utility Realty Tax Act (PURTA) .....	154,922
Litigation—Note P .....	216,898
Medical Assistance Cost Settlements .....	67,336
Arbitrage Rebate Tax .....	459
	<u>\$ 1,038,623</u>

The Workmen's Compensation Security Trust Fund provides for payment of valid claims under the Workmen's Compensation Law to individuals whose employments are insured by insolvent insurance carriers. The PURTA provides for a tax on utility realty property which is available for appropriation as a general revenue source. The Act also provides for payment of a tax distribution to local taxing authorities. The Commonwealth is liable for underpayments of medical assistance to nursing homes and inpatient hospitals based upon audits performed on the medical assistance program. Amounts included in the General Long-Term Obligations Account Group at June 30, 1995 relating to Workmen's Compensation Claims, PURTA, Litigation, Medical Assistance, and Arbitrage Rebate Tax are not payable with currently expendable available financial resources.

In 1991, the Commonwealth entered into lease arrangements with five local government authorities for the rental of five new prisons. Each authority issued bonds to finance the construction of the prisons. Each lease provided for the Commonwealth to pay periodic rentals equal to debt service payments on each authority's debt obligation. On July 1, 1993 a finance corporation issued certificates of participation to refund the authority debt obligations, to consolidate the financing of the prisons and to provide additional construction funding. As a result of the consolidated financing, the Commonwealth makes lease payments equal to the finance corporation's debt service payments. Both the original and the new leases provide that the Commonwealth's obligation to make lease payments is subject to Commonwealth appropriations made to provide for these obligations. In the fiscal year ended June 30, 1994 the Commonwealth began using the new prison facilities. The finance corporation holds nominal title to the facilities as security for the Commonwealth lease payments. When the certificates are fully redeemed, at which time the lease agreement expires, legal title vests with the Commonwealth. At June 30, 1995 the Commonwealth has reported \$757.7 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 \$30.9 billion as of August 31, 1995, with net debt outstanding of \$3.9 billion.

### 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, 1995 (May 31, 1995 for the PTC) include bond discounts of \$64.5 million.

The Pennsylvania Higher Educational Facilities Authority and the State Public School Building Authority, discretely presented governmental fund component units, have bonds outstanding as of June 30, 1995 which are payable from the lease rentals of the projects financed. The lease rentals are pledged as collateral for the bonds outstanding.

# NOTES TO FINANCIAL STATEMENTS

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

### Nonrecourse Debt

The Commonwealth of Pennsylvania 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 \$123.1 million in revenue bonds outstanding at June 30, 1995. The Commonwealth has no obligation for this debt. Accordingly, neither the financed assets nor the bonds are included in the accompanying financial statements.

The Commonwealth also created the Pennsylvania Economic Development Financing Authority (PEDFA) to finance projects on behalf of local industrial and commercial development authorities to promote economic growth within the Commonwealth. Revenue bonds issued by the PEDFA represent limited obligations payable solely from Authority financed project revenues. At June 30, 1995 the PEDFA has \$1,015.8 million of debt outstanding. Neither PEDFA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds are included in the accompanying financial statements.

The 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, 1995 (May 31, 1995 for the Pennsylvania Turnpike Commission) (expressed in thousands):

	1996	1997	1998	1999	2000	2001 Through Maturity	Total
<b>PRIMARY GOVERNMENT</b>							
<b>GENERAL OBLIGATION BONDS:</b>							
Capital Facilities .....	\$ 468,740	\$ 401,456	\$ 381,705	\$ 346,969	\$ 314,266	\$ 2,234,416	\$ 4,147,552
Disaster Relief .....	7,185	7,001	6,981	6,961	6,820	20,605	55,553
Land and Water Development .....	25,011	19,163	16,541	14,791	14,600	39,792	129,898
Nursing Home Loan Development .....	3,566	3,514	2,175	2,114	879	3,062	15,310
Project 70 Land Acquisition .....	779	780	778	783	785	.....	3,905
Volunteer Companies Loan .....	3,402	3,329	2,356	2,267	2,188	18,513	32,055
Vietnam Conflict Veterans Compensation .....	2,575	2,578	2,581	2,592	2,601	1,937	14,864
Water Facilities Loan .....	16,289	13,124	12,942	12,165	12,043	139,835	206,398
Pennsylvania Economic Revitalization ..	10,160	9,222	9,061	8,898	8,742	91,310	137,393
Pennsylvania Infrastructure Investment Authority .....	23,345	23,249	22,806	22,500	21,009	249,038	361,947
Agricultural Conservation Easement Purchase .....	7,054	7,007	6,943	6,886	6,825	84,133	118,848
Local Criminal Justice .....	14,658	14,665	14,671	14,680	14,686	204,753	278,113
Keystone Recreation, Park and Conservation .....	1,051	1,048	1,049	1,049	1,053	15,793	21,043
Refunding Bonds .....	136,530	161,471	156,685	154,168	161,972	954,208	1,725,034
Total Principal and Interest .....	720,345	667,607	637,274	596,823	568,469	4,057,395	7,247,913
Less: Interest Payments .....	272,555	247,662	224,714	201,298	180,994	1,080,028	2,207,251
	447,790	419,945	412,560	395,525	387,475	2,977,367	5,040,662
Other General Long-Term Obligations ..	353,925	204,687	198,367	215,889	143,567	2,525,511	3,641,946
<b>TOTAL GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP</b>	<b>\$ 801,715</b>	<b>\$ 624,632</b>	<b>\$ 610,927</b>	<b>\$ 611,414</b>	<b>\$ 531,042</b>	<b>\$ 5,502,878</b>	<b>\$ 8,682,608</b>

### DISCRETELY PRESENTED COMPONENT UNITS

#### GOVERNMENTAL FUNDS:

##### Other Bonds:

Pennsylvania Higher Educational Facilities Authority .....	\$ 161,866	\$ 185,889	\$ 170,368	\$ 167,285	\$ 168,732	\$ 2,777,446	\$ 3,631,586
State Public School Building Authority ..	33,055	32,697	32,521	32,290	32,430	322,172	485,165
Total Principal and Interest .....	194,921	218,586	202,889	199,575	201,162	3,099,618	4,116,751
Less: Interest Payments .....	126,336	122,753	119,523	114,772	109,935	1,104,281	1,697,600
<b>TOTAL GOVERNMENTAL FUNDS ....</b>	<b>\$ 68,585</b>	<b>\$ 95,833</b>	<b>\$ 83,366</b>	<b>\$ 84,803</b>	<b>\$ 91,227</b>	<b>\$ 1,995,337</b>	<b>\$ 2,419,151</b>

# NOTES TO FINANCIAL STATEMENTS

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

PROPRIETARY FUNDS:	1996	1997	1998	1999	2000	2001 Through Maturity	Total
Revenue Bonds:							
Pennsylvania Higher Education Assistance Agency .....	\$ 49,722	\$ 49,722	\$ 49,722	\$ 49,722	\$ 49,722	\$ 1,400,221	\$ 1,648,831
Pennsylvania Housing Finance Agency ..	183,839	180,222	180,326	180,592	179,525	3,667,201	4,571,705
Pennsylvania Industrial Development Authority .....	30,545	32,257	33,723	34,276	33,679	404,210	568,690
Pennsylvania Turnpike Commission .....	95,732	93,551	97,503	96,895	96,965	1,843,228	2,323,874
Pennsylvania Infrastructure Investment Authority .....	17,836	17,815	17,546	17,452	17,370	237,700	325,719
Total Principal and Interest .....	377,674	373,567	378,820	378,937	377,261	7,552,560	9,438,819
Less: Interest Payments .....	295,330	291,213	286,427	281,594	275,562	3,318,065	4,748,191
<b>TOTAL PROPRIETARY FUNDS .....</b>	<b>82,344</b>	<b>82,354</b>	<b>92,393</b>	<b>97,343</b>	<b>101,699</b>	<b>4,234,495</b>	<b>4,690,628</b>
<b>TOTAL COMPONENT UNITS .....</b>	<b>\$ 150,929</b>	<b>\$ 178,187</b>	<b>\$ 175,759</b>	<b>\$ 182,146</b>	<b>\$ 192,926</b>	<b>\$ 6,229,832</b>	<b>\$ 7,109,779</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, 1995 (expressed in thousands):

Fiscal year ending June 30	Primary Government	Discretely Presented Component Units	
	General Long-Term Obligations	Pennsylvania Higher Education Assistance Agency	College and University Funds
1996 .....	\$ 7,258	\$ 5,443	\$ 26,438
1997 .....	7,016	5,369	25,035
1998 .....	6,871	5,583	24,085
1999 .....	6,768	5,415	23,073
2000 .....	6,666	5,107	21,902
Later years .....	101,307	68,237	385,172
Total minimum lease payments .....	135,886	95,154	505,705
Less: amount representing estimated executory costs included in total minimum lease payments .....	17,013	....	....
Net minimum lease payments .....	118,873	95,154	505,705
Less: amount representing interest .....	58,249	38,917	228,255
<b>TOTAL CAPITAL LEASE OBLIGATIONS .....</b>	<b>\$ 60,624</b>	<b>\$ 56,237</b>	<b>\$ 277,450</b>
<b>INSTALLMENT PURCHASE OBLIGATIONS .....</b>	<b>\$ 13,165</b>		

At June 30, 1995 the State Public School Building Authority, a discretely presented governmental fund component unit, owed \$175 thousand under capital lease obligations.

At June 30, 1995 general fixed assets included \$96.0 million of buildings and \$3.3 million of equipment being procured by capital leases. A total of \$51.2 million in general fixed assets is being procured by vendor-financed installment purchase arrangements.

Capital lease obligations outstanding as of June 30, 1995 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 \$31.0 million of construction in progress related to capital leases at June 30, 1995.

The Commonwealth has entered into three lease arrangements with a trustee for the refinancing of previously existing leases and installment purchase arrangements and for the leasing of new equipment. These arrangements provide that the trustee issue certificates of participation, the proceeds of which allow for immediate payment to Commonwealth equipment vendors. This is not a general or moral obligation of the Commonwealth; under the arrangement, Commonwealth agencies are responsible for securing appropriations to make lease payments to the trustee, over a specified term, sufficient to fund periodic principal and interest payments to the certificate holders. While Commonwealth agencies maintain custody and use of the leased equipment, the trustee holds legal title to the equipment as security for the agency payments. When the certificates are fully funded, legal title vests with the Commonwealth agency. At June 30, 1995, \$80.3 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, 1995 the Commonwealth issued \$12.6 million in general obligation bonds, Refunding Series of 1994, with an average interest rate of 5.5 percent to advance refund \$12.3 million of previously issued general obligation bonds with an average interest rate of 7.39 percent. The net refunding bond proceeds of \$12.6 million, after payment of underwriting fees, insurance, and other issuance costs, were deposited in irrevocable trusts to provide for all future debt service payments on the refunded bonds. As a result, the bonds refunded are considered to be defeased and have been removed from the 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 \$586 thousand and to obtain an economic gain of \$293 thousand.

At June 30, 1995 \$742.8 million of general obligation bonds outstanding, that were previously accounted for in the General Long-Term Obligations Account Group, have been defeased through advance refundings.

### Discretely Presented Component Units

During the fiscal year ended June 30, 1995 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 \$18.7 million of previously issued revenue bonds as follows (expressed in thousands):

<u>Category</u>	<u>College Revenue Bonds Series of 1995</u>	<u>College Revenue Bonds Series of 1994</u>
Issuing Authority .....	SPSBA	PHEFA
Bond Type .....	Revenue	Revenue
Date Issued .....	6-29-95	7-28-94
Refunding Bonds Principal .....	\$22,495	\$7,285
Interest Rate (Refunding) .....	5.38%	7.09%
Refunded Series .....	College Revenue Bonds Series A 1990 Series D 1991	College Revenue Bonds Series of 1987
Refunded Bonds Principal .....	\$9,885/\$5,535	\$3,280*
Interest Rate (Refunded) .....	6.99%/6.75%	9.30%
Payment to Escrow Agent .....	\$16,743	\$3,392
Debt Service Savings (Loss) .....	\$606	\$(293)
Economic Gain .....	\$485	\$348

\* Current refunding.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE L—Refunded Debt (continued)

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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 SPSBA reported advance refundings in its component unit financial statements for the Wyoming Area School District which is not reported in the preceding table. The liability for the refunded debt was removed from their General Long-Term Debt Account Group; however, since the SPSBA did not issue any new debt, this was not an advance refunding transaction of the SPSBA. Furthermore, there were no debt service savings nor any economic gain or loss to the SPSBA.

The PHEFA defeased, using funds provided by Holy Family College, \$2.6 million of its College Revenue Bonds, Series of 1986 with a net interest rate of 7.66 percent. A deposit of \$2.6 million was made to an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the Series of 1986 Bonds are considered to be defeased and have been removed from the General Long-Term Debt Account Group.

At June 30, 1995 \$543.5 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 \$422.7 million for the PHEFA and \$120.8 million for the SPSBA.



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

	<u>General Fund</u>	<u>Special Revenue Funds</u>
<b>BUDGETARY BASIS:</b>		
Budgetary basis — revenues and other sources over expenditures .....	\$ 126,822	\$ 42,122
Adjustments:		
To adjust revenues, other financing sources and related receivables and deferred revenue .....	( 524,141 )	1,219,109
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities .....	( 1,259,661 )	( 1,439,194 )
To adjust encumbrances .....	1,607,153	302,884
Net adjustments .....	<u>( 176,649 )</u>	<u>82,799</u>
<b>NONBUDGETED FUNDS:</b>		
GAAP basis — revenues and other sources under expenditures and other uses .....	.....	<u>( 18,899 )</u>
<b>TOTAL ALL FUNDS:</b>		
GAAP Basis — revenues and other sources over (under) expenditures and other uses .....	<u>\$ ( 49,827 )</u>	<u>\$ 106,022</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 (Dec. 31, 1994)	State Stores (June 27, 1995)	Volunteer Company Loan	Minority Business Development	Machinery and Equipment Loan	Other Enterprise Funds	Total Enterprise Funds
Operating revenues .....	\$ 4,674	\$ 3,338	\$ 543,036	\$ 688,058	\$ 1,603	\$ 985	\$ 1,278	\$ 15,340	\$ 1,258,312
Depreciation .....	....	....	1,069	5,216	....	....	....	583	6,868
Operating income (loss) .....	6,973	2,755	113,287	49,576	1,349	(4,637)	955	(1,684)	168,574
Operating transfers out .....	....	....	....	61,069	....	....	....	....	61,069
Net income (loss) .....	6,973	2,755	113,287	(7,613)	1,349	(4,637)	955	10	113,079
Increases in contributed capital .....	25,000	....	....	....	....	7,150	7,000	375	39,525
Decreases in contributed capital .....	....	13,698	....	....	....	....	....	2	13,700
Acquisition and construction of capital assets .....	....	....	869	3,180	....	....	....	590	4,639
Net increase (decrease) in cash .....	....	(14)	283	183	(99)	(18)	(4)	42	373
Total assets .....	149,709	50,238	1,595,590	177,728	69,914	11,801	38,833	37,092	2,130,905
Bonds and other long-term liabilities payable from operating revenues .....	....	....	1,250,130	713	....	....	....	....	1,250,843
Total fund equity .....	148,559	48,236	230,987	17,417	69,879	10,636	38,825	32,259	596,798

#### DISCRETELY PRESENTED COMPONENT UNITS Proprietary Funds

	Pennsylvania Turnpike Commission (May 31, 1995)	Pennsylvania Industrial Development Authority	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	Total Proprietary Funds
Operating revenues .....	\$ 309,839	\$ 30,806	\$ 196,023	\$ 456,265	\$ 22,024	\$ 1,014,957
Depreciation .....	144,025	....	348	10,197	16	154,586
Operating income (loss) .....	19,489	5,693	(3,383)	(245,125)	6,045	(217,281)
Operating transfers from primary government .....	....	....	32,500	251,752	....	284,252
Extraordinary loss on early extinguishment of debt .....	....	....	340	....	....	340
Net income .....	30,381	5,693	28,777	11,195	6,045	82,091
Increases in contributed capital .....	6,539	....	1,503	....	67,842	75,884
Decreases in contributed capital .....	....	....	....	....	4,697	4,697
Acquisition and construction of capital assets .....	221,370	....	635	8,699	11	230,715
Net increase (decrease) in cash .....	(30,341)	(448)	(296)	543	(2,548)	(33,090)
Total assets .....	2,432,853	715,690	2,711,426	2,317,128	1,021,466	9,198,563
Bonds and other long-term liabilities payable from operating revenues .....	1,205,886	352,952	2,132,569	1,342,782	220,010	5,254,199
Total fund equity .....	1,133,178	352,421	361,315	273,091	762,454	2,882,459

## NOTES TO FINANCIAL STATEMENTS

### NOTE O—SELF INSURANCE

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

There were no reductions in commercial insurance coverage during the fiscal year ended June 30, 1995. No settlements exceeded commercial insurance coverage during each of the past three fiscal years.

The accrued liability for annuitant medical/hospital claims is determined by an actuary in accordance with accepted actuarial principles. Accrued liabilities for employe disability, tort and transportation claims are established based on reserves computed from the Commonwealth's claim experience; such claims are not discounted. No accrued liability has been reported for property losses.

At June 30, 1995 the accrued liabilities which will be paid with current expendable available financial resources are reported in the General Fund. Those liabilities which will not be paid with current expendable available financial resources at June 30, 1995 are reported in the General Long-Term Obligations Account Group (GLTOAG). All accrued self-insurance liabilities at June 30, 1995 are summarized as follows (expressed in thousands):

	<u>General Fund</u>	<u>GLTOAG</u>	<u>Total</u>
Employe disability .....	\$ 111,456	\$ 677,289	\$ 788,745
Annuitant medical/hospital .....	31,700	....	31,700
Automobile tort .....	2,768	10,774	13,542
Employe tort .....	2,481	17,755	20,236
General tort .....	1,545	35,677	37,222
Transportation .....	....	236,973	236,973
Totals .....	<u>\$ 149,950</u>	<u>\$ 978,468</u>	<u>\$ 1,128,418</u>

The following summary provides aggregated information on prior year self-insurance liabilities; incurred claims and payments during the fiscal year ended June 30, 1995 and reported self-insurance liabilities at June 30, 1995 (expressed in thousands):

	<u>June 30, 1994 Liability</u>	<u>Incurred Claims</u>		<u>Payments</u>		<u>June 30, 1995 Liability</u>
		<u>Current</u>	<u>Prior</u>	<u>Current</u>	<u>Prior</u>	
Employe disability .....	\$ 651,278	\$ 206,762	\$ 2,672	\$ 10,374	\$ 61,593	\$ 788,745
Annuitant medical/hospital ..	....	177,840	....	146,140	....	31,700
Automobile tort .....	11,845	1,273	3,393	501	2,468	13,542
Employe tort .....	17,810	769	9,699	5	8,037	20,236
General tort .....	33,209	465	4,541	15	978	37,222
Transportation .....	218,000	....	18,973	....	....	236,973
Totals .....	<u>\$ 932,142</u>	<u>\$ 387,109</u>	<u>\$ 39,278</u>	<u>\$ 157,035</u>	<u>\$ 73,076</u>	<u>\$ 1,128,418</u>

# NOTES TO FINANCIAL STATEMENTS

## NOTE P—COMMITMENTS AND CONTINGENCIES

**Construction and Other Commitments:** At June 30, 1995 the Department of Transportation and the Pennsylvania Turnpike Commission, a discretely presented component unit, have contractual commitments of approximately \$1,192 million and \$122 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 \$1.9 billion at June 30, 1995. These commitments are contingent upon the availability of financial resources.

At June 30, 1995 the following discretely presented component units had approved loans that had not been disbursed (amounts in millions):

Pennsylvania Infrastructure Investment Authority .....	\$	170
Pennsylvania Industrial Development Authority .....		213
Pennsylvania Housing Finance Agency .....		128

**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, 1995 were as follows (expressed in thousands):

Fiscal year ending June 30:	
1996 .....	\$ 186,384
1997 .....	89,491
1998 .....	73,012
1999 .....	73,674
2000 .....	41,512
Later years .....	214,895
Total Minimum Lease Payments .....	<u>\$ 678,968</u>

Rental expenditures/expenses for all operating leases for the fiscal year ended June 30, 1995 amounted to \$242 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, 1995 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 .....	\$	4,237
Banking Fund .....		1,800
Capital Facilities Fund .....		73
Other General Long-Term Obligations .....		216,898

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. Other cases that the Commonwealth is currently vigorously contesting could range from approximately \$343 to \$626 million, \$2 to \$32 million, and \$1 to \$30 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 \$3 to approximately \$18 million, \$148 thousand to \$2 million and zero to \$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 \$197 to \$424 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, 1995 the Commonwealth had custody of \$548 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 \$10.4 billion at June 30, 1995. 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 78 percent to 100 percent depending upon default rates in the portfolio guaranteed by PHEAA. During the year ended June 30, 1995, 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 \$2.3 billion, discounted at an interest rate of 6.8 percent to a net present value of \$1.3 billion at June 30, 1995.

## NOTES TO FINANCIAL STATEMENTS

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

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The Medical Professional Liability Catastrophe Loss Fund, an Agency Fund, acts as a service agent to facilitate the payment of medical malpractice claims exceeding basic liability coverage carried by health care providers practicing in the Commonwealth. The Fund levies health care provider surcharges, as a percentage of insurance premiums for basic coverage, to pay 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, 1995 totals \$1,872.5 million (\$1,514.8 million at present value based on the expected payment pattern and an assumed long-term interest rate of 4 percent). The amount of expendable financial resources available to pay claims at June 30, 1995 is \$100.6 million. This is reported as a fund liability. The remaining claims will be funded exclusively through surcharge assessments in future years as claims are settled and paid; as a result, a financial liability for remaining claims is not reported. The following is a summary of the increases and decreases of the Fund's assets for the year ended June 30, 1995 (expressed in thousands):

Fund assets, July 1, 1994 .....	\$ 112,136
Surcharges to health care providers .....	177,309
Investment earnings .....	5,605
Payments to claimants .....	( 172,276 )
Administrative costs .....	( 17,505 )
Fund assets, June 30, 1995 .....	<u>\$ 105,269</u>

### NOTE R—DEFERRED COMPENSATION

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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 \$219 million in assets (at market value) reported in the Deferred Compensation Fund, an Agency Fund, at December 31, 1994, \$215 million relates to primary government employees and \$3 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 Employees Benefit Trust Fund (PEBTF). The PEBTF establishes and provides health and welfare benefits for active employees; the PEBTF is a third party administrator for annuitant medical/hospital benefits. The Commonwealth is required to fund all necessary contributions to pay for the cost of providing benefits; the unions are not required to make contributions. Contribution rates and/or amounts are established by collective bargaining agreements and administrative policies. During the fiscal year ended June 30, 1995, the Commonwealth paid PEBTF over \$580 million in contributions to fund benefits. Neither the Commonwealth nor the unions have an equity interest in the PEBTF. At June 30, 1995, the PEBTF reported total assets of \$266 million, total liabilities and benefit obligations of \$97 million, and net assets available for benefits of \$169 million. During the fiscal year, net assets available for benefits increased by \$74 million. The financial status of the PEBTF is monitored on an ongoing basis; financial stress is not evident.

As of June 30, 1995, under the annuitant medical/hospital program, the Commonwealth has funded almost \$7 million which is part of escrow and advance amounts which the PEBTF must maintain at program service providers. In addition, under the annuitant program, the Commonwealth must maintain balances of \$15 million (in a special account) which the PEBTF may borrow to meet short term cash needs; no amounts were borrowed during the fiscal year ended June 30, 1995. Separately, the Commonwealth must also maintain \$15 million (in a special account) from which the PEBTF may draw to pay for annuitant claims and administrative costs in excess of Commonwealth contributions to the PEBTF. The PEBTF need not repay amounts drawn from this account; no amounts were drawn by the PEBTF during the fiscal year ended June 30, 1995.

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

Brian Kilty  
Pennsylvania Employees 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 September 30, 1995, the Insurance Commissioner levied an emergency surcharge of 68 percent on all health care providers participating in the Medical Professional Liability Catastrophe Loss Fund, an Agency Fund, as of August 31, 1995. The emergency surcharge, the first to be levied in the 20 year history of the fund, was necessary to collect additional surcharge revenues of \$107 million. This approximates the shortfall between the normal surcharge remittance and the claims payout of \$279.5 million for the claims year ended August 31, 1995. Actions were initiated to contract with a reinsurance company for finite risk insurance on October 18, 1995. This action was necessary, considering the ability of the fund to collect the necessary revenues within the short period of time until December 29, 1995, the date that payout of claims for the claims year ended August 31, 1995 must be completed. If purchased, reinsurance will increase the operating expenses of the Fund for the current period through December 31, 1995.

On October 25, 1995 the Commonwealth issued \$500 million in Tax Anticipation Notes, First Series of 1995-96. The notes are payable from and secured by the pledges of revenues to be received in the General Fund during the fiscal year ending June 30, 1996. These obligations are due and payable no later than June 30, 1996.

On November 15, 1995 the Commonwealth issued \$179.5 million of General Obligation Bonds, Second Series of 1995 with an interest rate of 5 percent. Bond proceeds will be used for the construction and acquisition of capital facilities projects, loans to construct, rehabilitate and improve water supply, storm water control and sewage treatment systems, and to promote economic redevelopment.

On December 13, 1995, the General Assembly approved a legal settlement and enacted an appropriation to pay \$145 million to Envirotest Systems Corporation of Arizona (Envirotest) in four installment payments ending in July 1998. Including potential reimbursements to Envirotest for possible losses from selling 78 testing sites already constructed, and interest at 6 percent, the maximum settlement liability could be as high as \$171.4 million. This amount is reported in the General Long-Term Obligations Account Group.

### **Discretely Presented Component Units**

On July 3, 1995 the Pennsylvania Higher Education Assistance Agency (PHEAA), a proprietary fund component unit, remarketed \$110 million Student Loan Adjustable Rate Tender Revenue Bonds 1988 Series B. As a result, the interest rates are now reset weekly by the remarketing agent on the basis of prevailing market conditions. The rate at July 3, 1995 was 3.25 percent.

On July 26, 1995 the Pennsylvania Housing Finance Agency (PHFA), a proprietary fund component unit, issued \$4.7 million of Multi-Family Limited Obligation Rental Housing 501 (c)(3) Bonds, Issue 1995. The proceeds of these bonds will be used to provide second mortgages to four Section 8 Multi-Family Projects.

On August 1, 1995 the PHFA redeemed prior to maturity \$350 thousand of Multi-Family Moderate Rehabilitation Revenue Bonds Issue 1985B and \$1.7 million of Multi-Family Housing bonds Issue 1985B using the proceeds of a mortgage restructuring and prepayment, respectively. An extraordinary loss of \$81 thousand resulted from the redemptions.

On October 2, 1995 the PHFA redeemed prior to maturity \$2.1 million of Single Family Mortgage Revenue Bonds, Series N and O using mortgage prepayments. An extraordinary loss of \$41 thousand resulted from the redemptions.

On November 2, 1995 the PHFA issued \$50 million of Single Family Mortgage Revenue bonds, Series 1995-46. The proceeds of these bonds will be used to provide new single family mortgage loans.



# Combining Financial Statements and Schedules



Commonwealth of Pennsylvania

# Special Revenue Funds



Commonwealth of Pennsylvania

## SPECIAL REVENUE FUNDS DESCRIPTION

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

**State Lottery Fund** — to account for the 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.

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

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

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

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

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

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

June 30, 1995

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

	Budgeted Funds										Total	
	State Lottery	Motor License	Workmen's Compensation Administration	Public Transportation Assistance	Pharmaceutical Assistance	Water Facilities Loan	Pennsylvania Economic Revitalization	Recycling	Fish and Game	Hazardous Sites Cleanup		Other
<b>ASSETS:</b>												
Cash	\$ 12	\$ 17,313	\$ 64	\$	\$ 1	\$	\$ 75	\$ 12	\$ 572	\$ 5	\$ 195	\$ 18,249
Cash with fiscal agent	177,972	494,492	34,450	8,433	1,297		16,271	90,027	64,199	115,801	176,410	1,179,352
Temporary investments	7,905											7,905
Long-term investments												
Receivables, net:												
Taxes		117,717		15,748								133,465
Accounts	18,839		37								4,692	23,568
Accrued interest	792	2,299	151	111	44	169	211	454	522	540	919	6,212
Loans						25,360	58,466	145			5,873	89,844
Other	8	6,842									391	7,241
Due from other funds	581	4,186	4	2,463	17,000		2,004	4	1,002	21,667	11,855	60,766
Due from component units		1,269										1,269
Due from other governments	7,032	89,055							6,248		8,467	110,802
Advances to other funds										3,000		3,000
<b>TOTAL ASSETS</b>	<b>\$ 213,141</b>	<b>\$ 733,173</b>	<b>\$ 34,706</b>	<b>\$ 26,755</b>	<b>\$ 18,342</b>	<b>\$ 25,329</b>	<b>\$ 77,027</b>	<b>\$ 90,645</b>	<b>\$ 72,543</b>	<b>\$ 141,013</b>	<b>\$ 208,802</b>	<b>\$ 1,641,676</b>
<b>LIABILITIES AND FUND BALANCES</b>												
<b>Liabilities:</b>												
Accounts payable and accrued liabilities	\$ 196,361	\$ 234,517	\$ 2,359	\$ 8,066	\$ 21,659	\$	\$ 2,832	\$ 844	\$ 4,924	\$ 3,373	\$ 28,034	\$ 502,969
Tax refunds payable		738										738
Due to other funds	17,407	20,281	461	369	10	169	556	1	1,816	253	17,076	58,399
Due to component units		3,531										3,531
Due to other governments	6,074	12,079	67		2		764	7,278	166	27	770	27,227
Deferred revenue	5,668	197							2,294	23	14,683	22,865
Advances from other funds		2,175									3,000	5,175
<b>TOTAL LIABILITIES</b>	<b>225,510</b>	<b>273,518</b>	<b>2,887</b>	<b>8,435</b>	<b>21,671</b>	<b>169</b>	<b>4,152</b>	<b>8,123</b>	<b>9,200</b>	<b>3,676</b>	<b>63,563</b>	<b>620,904</b>
<b>Fund Balance:</b>												
Reserved for:												
Encumbrances		146,373	207				14,806	5,666	2,897	12,908	25,942	208,799
Loans receivable						25,360	58,466	145			5,873	89,844
Long-term investments	7,905											7,905
Other	8										391	399
<b>Unreserved:</b>												
Designated for:												
Highways		163,703										163,703
Other												30,832
Undesignated (deficit)	(20,282)	149,579	31,612	18,320	(3,329)		(397)	73,711	58,823	124,429	86,824	519,290
<b>TOTAL FUND BALANCE (DEFICIT)</b>	<b>(12,369)</b>	<b>459,655</b>	<b>31,819</b>	<b>18,320</b>	<b>(3,329)</b>	<b>25,360</b>	<b>72,875</b>	<b>82,522</b>	<b>63,343</b>	<b>137,337</b>	<b>145,239</b>	<b>1,020,772</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 213,141</b>	<b>\$ 733,173</b>	<b>\$ 34,706</b>	<b>\$ 26,755</b>	<b>\$ 18,342</b>	<b>\$ 25,329</b>	<b>\$ 77,027</b>	<b>\$ 90,645</b>	<b>\$ 72,543</b>	<b>\$ 141,013</b>	<b>\$ 208,802</b>	<b>\$ 1,641,676</b>

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

**For Fiscal Year Ended June 30, 1995**

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	Budgeted Funds							Recycling	Fish and Game	Hazardous Sites Cleanup	Other	Total
	State Lottery	Motor License	Workmen's Compensation Administration	Public Transportation Assistance	Pharmaceutical Assistance	Water Facilities Loan	Pennsylvania Economic Revitalization					
<b>REVENUES:</b>												
Taxes.....	\$ 140	\$ 1,293,930	\$ 350	\$ 162,521	\$ 775	\$ 2,177	\$ 34,886	\$ 106	\$ 43,047	\$ 33,822	\$ 33,822	\$ 1,533,426
Licenses and fees.....	58,051	502,987	42,403	.....	.....	.....	.....	47,212	3,057	25,702	25,702	613,984
Intergovernmental.....	4,983	833,920	1,503	.....	.....	.....	.....	15,791	61	88,589	88,589	996,412
Charges for sales and service.....	5,205	79,503	1,503	962	775	12	.....	16,169	.....	49,063	49,063	195,440
Investment income.....	1,595,726	21,832	.....	.....	.....	.....	4,220	3,159	5,368	12,244	12,244	55,785
Lottery revenues.....	674	32,759	350	.....	.....	.....	.....	1,921	1,201	.....	.....	1,595,726
Other.....	1,664,779	2,764,931	44,256	163,483	775	2,177	39,358	84,358	52,734	237,019	237,019	64,789
<b>TOTAL REVENUES</b> .....												<b>5,055,562</b>
<b>EXPENDITURES:</b>												
Current:												
General government.....	988,199	74,920	31,992	.....	.....	.....	.....	.....	.....	.....	.....	1,157,315
Protection of persons and property.....	316,529	.....	.....	.....	215,216	.....	.....	.....	.....	7,350	7,350	13,788
Public health and welfare.....	.....	.....	.....	.....	.....	502	20,767	78,507	34,459	78,890	78,890	665,477
Conservation of natural resources.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	2,727	2,727	213,125
Economic development and assistance.....	111,896	2,108,900	.....	160,997	.....	.....	.....	.....	.....	.....	.....	58,008
Transportation.....	.....	36,807	.....	.....	.....	.....	.....	11,751	.....	.....	.....	2,381,793
Capital outlay.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	48,558
Debt service.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Interest and fiscal charges.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
<b>TOTAL EXPENDITURES</b> .....	1,416,624	2,220,627	31,992	160,997	215,216	502	20,767	90,258	34,459	284,590	284,590	4,538,073
<b>REVENUES OVER (UNDER)</b>												
<b>EXPENDITURES</b> .....	248,155	544,304	12,264	2,486	(214,441)	1,675	18,591	(5,900)	18,275	(47,571)	(47,571)	517,489
<b>OTHER FINANCING SOURCES (USES):</b>												
Bond Proceeds.....	.....	.....	.....	.....	.....	1,975	.....	.....	.....	7,921	7,921	9,896
Operating transfers in.....	347	27,103	.....	.....	217,000	(4,220)	3,000	2,029	.....	32,521	32,521	323,799
Operating transfers out.....	(238,856)	(492,439)	.....	(4,701)	.....	(4,220)	.....	(24)	.....	(27,925)	(27,925)	(769,205)
Capital lease and installment purchase obligation.....	.....	24,043	.....	.....	.....	.....	.....	.....	.....	.....	.....	24,043
<b>NET OTHER FINANCING SOURCES (USES)</b> .....	(238,509)	(441,293)	.....	(4,701)	217,000	(2,245)	3,000	2,005	.....	12,517	12,517	(411,467)
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b> .....	9,646	103,011	12,264	(2,215)	2,559	(570)	21,591	(3,895)	18,275	(35,054)	(35,054)	106,022
<b>FUND BALANCES (DEFICITS), JULY 1, 1994</b> .....	(22,015)	356,644	19,555	20,535	(5,888)	28,995	60,931	67,238	119,062	181,510	181,510	912,012
<b>RESIDUAL EQUITY TRANSFERS</b> .....	.....	.....	.....	.....	.....	(3,065)	.....	.....	.....	(1,217)	(1,217)	2,738
<b>FUND BALANCES (DEFICITS) JUNE 30, 1995</b> .....	\$ (12,369)	\$ 459,655	\$ 31,819	\$ 18,320	\$ (3,329)	\$ 25,360	\$ 82,522	\$ 63,343	\$ 137,337	\$ 145,239	\$ 145,239	\$ 1,020,772



# 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, 1995

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

	Disaster Relief Redemption	Pennsylvania Infrastructure Authority Redemption	Capital Debt	Pennsylvania Economic Revitalization Sinking	Water Facilities Loan Redemption	Land and Water Development Sinking	Other	Total
<b>ASSETS:</b>								
Cash .....	\$ 1	\$ 1	\$ .....	\$ .....	\$ .....	\$ .....	\$ 4	\$ 6
Cash with fiscal agents .....	335	.....	10,471	30	50	1,149	368	12,403
Temporary investments .....	.....	.....	.....	322	.....	.....	589	911
Receivables, net:								
Accounts .....	.....	.....	12,400	.....	.....	.....	.....	12,400
Accrued interest .....	.....	.....	4	2	.....	.....	1,315	1,321
Lease rental .....	.....	.....	3,319	.....	.....	.....	.....	3,319
Due from other funds .....	.....	.....	.....	193	4	19	17	233
Due from component unit .....	.....	35,753	.....	.....	.....	.....	.....	35,753
<b>TOTAL ASSETS</b> .....	<b>\$ 336</b>	<b>\$ 35,754</b>	<b>\$ 26,194</b>	<b>\$ 547</b>	<b>\$ 54</b>	<b>\$ 1,168</b>	<b>\$ 2,293</b>	<b>\$ 66,346</b>

**LIABILITIES AND FUND BALANCES:**

<b>Liabilities:</b>								
Accounts payable and accrued liabilities .....	\$ .....	.....	\$ 34	\$ .....	\$ .....	\$ .....	\$ .....	\$ 34
Matured debt principal and interest payable .....	335	.....	10,471	30	50	1,149	368	12,403
Due to other funds .....	.....	.....	.....	.....	.....	.....	1,874	1,874
Deferred revenue .....	.....	.....	15,719	.....	.....	.....	.....	15,719
Other liabilities .....	.....	10	523	.....	6	.....	43	582
<b>TOTAL LIABILITIES</b> .....	<b>\$ 335</b>	<b>\$ 10</b>	<b>\$ 26,747</b>	<b>\$ 30</b>	<b>\$ 56</b>	<b>\$ 1,149</b>	<b>\$ 2,285</b>	<b>\$ 30,612</b>

**Fund balance:**

Unreserved:								
Designated for:								
Debt Service:								
Retirement of general obligation bonds .....	\$ 1	\$ 35,744	\$ .....	\$ 517	\$ .....	\$ 19	\$ 40	\$ 36,321
Undesignated (deficit) .....	.....	.....	(553)	.....	(2)	.....	(32)	(587)
<b>TOTAL FUND BALANCES (DEFICITS)</b> .....	<b>\$ 1</b>	<b>\$ 35,744</b>	<b>\$ (553)</b>	<b>\$ 517</b>	<b>\$ (2)</b>	<b>\$ 19</b>	<b>\$ 8</b>	<b>\$ 35,734</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<b>\$ 336</b>	<b>\$ 35,754</b>	<b>\$ 26,194</b>	<b>\$ 547</b>	<b>\$ 54</b>	<b>\$ 1,168</b>	<b>\$ 2,293</b>	<b>\$ 66,346</b>

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

*For the Fiscal Year Ended June 30, 1995*

**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>REVENUES:</b>								
Investment income .....	\$ 13	\$ 5	\$ 609	\$ 2	\$ .....	\$ .....	\$ 1,947	\$ 2,576
Lease rental principal and interest .....	.....	.....	2,159	.....	.....	.....	.....	2,159
Other .....	53	1	369	.....	.....	.....	68	491
<b>TOTAL REVENUES</b> .....	<u>66</u>	<u>6</u>	<u>3,137</u>	<u>2</u>	<u>.....</u>	<u>.....</u>	<u>2,015</u>	<u>5,226</u>
<b>EXPENDITURES:</b>								
Debt Service:								
Principal retirement .....	6,025	10,265	444,905	7,430	11,250	21,145	15,685	516,705
Interest and fiscal charges .....	2,809	12,583	230,956	5,633	8,084	6,563	14,990	281,618
<b>TOTAL EXPENDITURES</b> .....	<u>8,834</u>	<u>22,848</u>	<u>675,861</u>	<u>13,063</u>	<u>19,334</u>	<u>27,708</u>	<u>30,675</u>	<u>798,323</u>
<b>REVENUES UNDER EXPENDITURES</b> .....	<u>(8,768)</u>	<u>(22,842)</u>	<u>(672,724)</u>	<u>(13,061)</u>	<u>(19,334)</u>	<u>(27,708)</u>	<u>(28,660)</u>	<u>(793,097)</u>
<b>OTHER FINANCING SOURCES (USES):</b>								
Refunding bond proceeds .....	.....	.....	12,618	.....	.....	.....	.....	12,618
Operating transfers in .....	7,927	20,880	646,111	13,311	19,331	27,708	30,477	765,745
Operating transfers out .....	.....	.....	.....	.....	.....	.....	(1,938)	(1,938)
Payment to refunded bond escrow agent .....	.....	.....	(12,618)	.....	.....	.....	.....	(12,618)
<b>NET OTHER FINANCING SOURCES</b> .....	<u>7,927</u>	<u>20,880</u>	<u>646,111</u>	<u>13,311</u>	<u>19,331</u>	<u>27,708</u>	<u>28,539</u>	<u>763,807</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b> .....	<u>(841)</u>	<u>(1,962)</u>	<u>(26,613)</u>	<u>250</u>	<u>(3)</u>	<u>.....</u>	<u>(121)</u>	<u>(29,290)</u>
<b>FUND BALANCES, JULY 1, 1994</b> .....	.....	37,706	26,060	267	1	19	129	64,182
<b>RESIDUAL EQUITY TRANSFER IN</b> .....	<u>842</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>842</u>
<b>FUND BALANCES, (DEFICITS), JUNE 30, 1995</b> .....	<u>1</u>	<u>\$ 35,744</u>	<u>\$ (553)</u>	<u>\$ 517</u>	<u>\$ (2)</u>	<u>\$ 19</u>	<u>\$ 8</u>	<u>\$ 35,734</u>

# 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.

*Keystone Recreation, Park and Conservation Fund* — to account for the proceeds of bonds issued to improve and expand Commonwealth and community parks, recreation facilities, historic sites, zoos, public libraries, nature preserves and wildlife habitats.

*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 four capital projects funds.

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

*June 30, 1995*

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

	Capital Facilities	Local Criminal Justice	Keystone Recreation, Park and Conservation	Land and Water Development	Total
<b>ASSETS</b>					
Cash .....	\$ 3	\$ 1	\$ ....	\$ ....	\$ 4
Temporary investments .....	172,306	16,169	38,476	3,789	230,740
Receivables, net:					
Accrued interest .....	933	97	194	19	1,243
Due from other funds .....	1,173	....	....	....	1,173
Due from other governments .....	1,061	....	....	....	1,061
<b>TOTAL ASSETS</b> .....	<u>\$ 175,476</u>	<u>\$ 16,267</u>	<u>\$ 38,670</u>	<u>\$ 3,808</u>	<u>\$ 234,221</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities .....	\$ 44,664	\$ 4,619	\$ 624	\$ 13	\$ 49,920
Due to other funds .....	879	....	2	19	900
Due to other governments .....	581	....	....	....	581
<b>TOTAL LIABILITIES</b> .....	<u>46,124</u>	<u>4,619</u>	<u>626</u>	<u>32</u>	<u>51,401</u>
Fund Balance:					
Reserved for:					
Encumbrances .....	543,252	2,911	1,670	191	548,024
Unreserved:					
Designated for:					
Capital projects .....	....	8,737	36,374	3,585	48,696
Undesignated (deficit) .....	(413,900)	....	....	....	(413,900)
<b>TOTAL FUND BALANCES</b> .....	<u>129,352</u>	<u>11,648</u>	<u>38,044</u>	<u>3,776</u>	<u>182,820</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> ..	<u>\$ 175,476</u>	<u>\$ 16,267</u>	<u>\$ 38,670</u>	<u>\$ 3,808</u>	<u>\$ 234,221</u>

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

**Capital Projects Funds**

*For the Fiscal Year Ended June 30, 1995*

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

	Capital Facilities	Local Criminal Justice	Keystone Recreation, Park and Conservation	Land and Water Development	Total
<b>REVENUES:</b>					
Taxes .....	\$ .....	\$ .....	\$ 31,204	\$ .....	\$ 31,204
Intergovernmental .....	5,024	.....	.....	.....	5,024
Charges for goods and services .....	2,571	.....	.....	.....	2,571
Investment income .....	6,860	964	1,193	232	9,249
Other .....	362	.....	.....	31	393
<b>TOTAL REVENUES .....</b>	<b>14,817</b>	<b>964</b>	<b>32,397</b>	<b>263</b>	<b>48,441</b>
<b>EXPENDITURES:</b>					
General Government .....	1,830	.....	.....	.....	1,830
Protection of persons and property .....	.....	46,704	.....	.....	46,704
Conservation of natural resources .....	273	.....	6,215	.....	6,488
Economic development and assistance .....	34,525	.....	.....	.....	34,525
Transportation .....	104,878	.....	.....	.....	104,878
Capital outlay .....	196,310	.....	.....	929	197,239
Debt Service:					
Interest and fiscal charges .....	.....	.....	12	.....	12
<b>TOTAL EXPENDITURES .....</b>	<b>337,816</b>	<b>46,704</b>	<b>6,227</b>	<b>929</b>	<b>391,676</b>
<b>REVENUES OVER (UNDER) EXPENDITURES .....</b>	<b>( 322,999 )</b>	<b>( 45,740 )</b>	<b>26,170</b>	<b>( 666 )</b>	<b>( 343,235 )</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Bond proceeds .....	370,858	56,411	11,874	.....	439,143
Operating transfers out .....	( 25,450 )	.....	.....	( 489 )	( 25,939 )
<b>NET OTHER FINANCING SOURCES (USES) .....</b>	<b>345,408</b>	<b>56,411</b>	<b>11,874</b>	<b>( 489 )</b>	<b>413,204</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES .....</b>	<b>22,409</b>	<b>10,671</b>	<b>38,044</b>	<b>( 1,155 )</b>	<b>69,969</b>
<b>FUND BALANCES, JULY 1, 1994 .....</b>	<b>106,943</b>	<b>977</b>	<b>.....</b>	<b>4,931</b>	<b>112,851</b>
<b>FUND BALANCES, JUNE 30, 1995 .....</b>	<b>\$ 129,352</b>	<b>\$ 11,648</b>	<b>\$ 38,044</b>	<b>\$ 3,776</b>	<b>\$ 182,820</b>

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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 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, 1995

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	Sunny Day	Capital Loan	State Workmen's Insurance (Dec. 31, 1994)	State Stores (June 27, 1995)	Volunteer Companies Loan	Minority Business Development	Machinery and Equipment Loan	Other	Total
<b>ASSETS:</b>									
Cash	\$ 1	\$ 109	\$ 5,887	\$ 3,705	\$ 1	\$ 5	\$ 91	\$ 155	\$ 9,954
Temporary investments	37,945	21,687	381,074	55,291	6,767	6,902	10,587	29,481	549,734
Long-term investments	.....	.....	1,120,905	.....	.....	.....	.....	190	1,121,095
Receivables, net:									
Accounts	.....	.....	54,967	1,269	.....	.....	.....	58	56,294
Accrued interest	610	289	20,219	290	79	109	118	167	21,881
Notes and loans	111,153	27,837	8,385	.....	63,067	4,785	28,037	2,305	245,569
Due from other funds	.....	316	226	111	.....	.....	.....	2,714	3,367
Inventory	.....	.....	.....	98,445	.....	.....	.....	285	98,730
Fixed assets	14,710	.....	11,443	52,542	.....	.....	.....	9,639	88,334
Less: accumulated depreciation	(14,710)	.....	(8,432)	(34,223)	.....	.....	.....	(7,902)	(65,267)
Other assets	.....	.....	916	298	.....	.....	.....	.....	1,214
<b>TOTAL ASSETS</b>	<b>\$ 149,709</b>	<b>\$ 50,238</b>	<b>\$ 1,595,590</b>	<b>\$ 177,728</b>	<b>\$ 69,914</b>	<b>\$ 11,801</b>	<b>\$ 38,833</b>	<b>\$ 37,092</b>	<b>\$ 2,130,905</b>
<b>LIABILITIES AND FUND EQUITY</b>									
<b>Liabilities:</b>									
Accounts payable and accrued liabilities	\$ 1,150	\$ 2	\$ 5,765	\$ 76,769	\$ .....	\$ 1,165	\$ 8	\$ 2,372	\$ 87,231
Due to other funds	.....	2,000	6,701	16,698	.....	.....	.....	188	25,587
Due to other governments	.....	.....	.....	131	.....	.....	.....	99	230
Deferred revenue	.....	.....	76,916	.....	35	.....	.....	2,174	79,125
Note payable	.....	.....	.....	713	.....	.....	.....	.....	713
Advances from other funds	.....	.....	2,000	66,000	.....	.....	.....	.....	68,000
Other liabilities	.....	.....	23,091	.....	.....	.....	.....	.....	23,091
Insurance loss liability	.....	.....	1,250,130	.....	.....	.....	.....	.....	1,250,130
<b>TOTAL LIABILITIES</b>	<b>1,150</b>	<b>2,002</b>	<b>1,364,603</b>	<b>160,311</b>	<b>35</b>	<b>1,165</b>	<b>8</b>	<b>4,833</b>	<b>1,534,107</b>
<b>Fund Equity:</b>									
Contributed capital	125,000	32,707	.....	2,294	50,425	38,530	37,900	5,423	292,279
Retained earnings (deficit):									
Reserved	.....	.....	102,978	.....	.....	.....	.....	7,625	110,603
Unreserved	23,559	15,529	128,009	15,123	19,454	(27,894)	925	19,211	193,916
<b>TOTAL FUND EQUITY</b>	<b>148,559</b>	<b>48,236</b>	<b>230,987</b>	<b>17,417</b>	<b>69,879</b>	<b>10,636</b>	<b>38,825</b>	<b>32,259</b>	<b>596,798</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 149,709</b>	<b>\$ 50,238</b>	<b>\$ 1,595,590</b>	<b>\$ 177,728</b>	<b>\$ 69,914</b>	<b>\$ 11,801</b>	<b>\$ 38,833</b>	<b>\$ 37,092</b>	<b>\$ 2,130,905</b>

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

*For the Fiscal Year Ended June 30, 1995*

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

	Sunny Day	Capital Loan	State Workmen's Insurance (Dec. 31, 1994)	State Stores (June 27, 1995)	Volunteer Companies Loan	Minority Business Development	Machinery and Equipment Loan	Other	Total
<b>OPERATING REVENUES:</b>									
Sales and Service .....	\$ 1,849	\$ 1,940	\$ 469,169	\$ 688,058	\$ 415	\$ 356	\$ 396	\$ 15,124	\$ 1,172,351
Investment income .....	2,461	1,398	73,846	.....	1,188	616	741	151	78,953
Interest on notes and loans .....	364	.....	21	.....	.....	13	141	34	6,435
Other .....	4,674	3,338	543,036	688,058	1,603	985	1,278	15,340	1,258,312
<b>TOTAL OPERATING REVENUES</b> .....									
<b>OPERATING EXPENSES:</b>									
Cost of sales and service .....	.....	537	405,150	632,879	197	3,986	170	16,354	1,059,273
Interest expense .....	.....	.....	1,235	.....	.....	.....	.....	.....	1,235
Depreciation .....	.....	.....	1,069	5,216	.....	.....	.....	583	6,868
Provision for uncollectible accounts .....	(3,449)	46	22,295	387	47	1,636	153	77	21,192
Other .....	1,150	.....	.....	.....	10	.....	.....	10	1,170
<b>TOTAL OPERATING EXPENSES</b> .....	(2,299)	583	429,749	638,482	254	5,622	323	17,024	1,089,738
<b>OPERATING INCOME (LOSS)</b> .....	6,973	2,755	113,287	49,576	1,349	(4,637)	955	(1,684)	168,574
<b>NONOPERATING REVENUES (EXPENSES):</b>									
Investment income .....	.....	.....	.....	3,900	.....	.....	.....	1,498	5,398
Other .....	.....	.....	.....	(20)	.....	.....	.....	196	176
<b>NONOPERATING REVENUES, NET</b> .....	.....	.....	.....	3,880	.....	.....	.....	1,694	5,574
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b> .....	6,973	2,755	113,287	53,456	1,349	(4,637)	955	10	174,148
<b>OPERATING TRANSFERS:</b>									
Operating transfers out .....	.....	.....	.....	(61,069)	.....	.....	.....	.....	(61,069)
<b>NET INCOME (LOSS)</b> .....	6,973	2,755	113,287	(7,613)	1,349	(4,637)	955	10	113,079
<b>RETAINED EARNINGS (DEFICITS), AS RESTATED, JULY 1, 1994</b> .....	16,586	12,774	117,700	22,736	18,105	(23,257)	(30)	26,826	191,440
<b>RETAINED EARNINGS (DEFICITS), JUNE 30, 1995</b> .....	\$ 23,559	\$ 15,529	\$ 230,987	\$ 15,123	\$ 19,454	\$ (27,894)	\$ 925	\$ 26,836	\$ 304,519

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

*For the Fiscal Year Ended June 30, 1995*

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

**CASH PROVIDED FROM (USED FOR) OPERATIONS:**

	Sunny Day	Capital Loan	State Workmen's Insurance (Dec. 31, 1994)	State Stores (June 27, 1995)	Volunteer Companies Loan	Minority Business Development	Machinery and Equipment Loan	Other	Total
Operating income (loss)	\$ 6,973	\$ 2,755	\$ 113,287	\$ 49,576	\$ 1,349	\$ (4,637)	\$ 955	\$ (1,684)	\$ 168,574
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:									
Depreciation	.....	.....	1,069	5,216	.....	.....	.....	583	6,868
Net amortization	.....	.....	22,295	387	.....	1,636	.....	16	21,192
Provision for uncollectible accounts	(3,449)	46	.....	.....	47	.....	153	77	196
Nonoperating revenue	.....	.....	(73,846)	.....	(415)	(356)	(396)	(151)	(78,953)
Reclassification of investment income	(1,849)	(1,940)	.....	.....	.....	.....	.....	.....	.....
Change in assets and liabilities:									
Increase in receivables	(41,467)	(4,121)	(6,767)	(341)	(3,756)	(108)	(1,690)	(1,674)	(59,924)
(Increase) decrease in due from other funds	.....	(316)	(162)	28	.....	.....	.....	5,118	4,668
(Increase) decrease in inventory	.....	.....	3,052	.....	.....	.....	.....	(90)	2,962
Increase in other assets	.....	.....	(16)	(26)	.....	.....	.....	.....	(42)
Increase (decrease) in accounts payable and accrued liabilities	1,054	.....	(3,215)	1,682	.....	287	8	(493)	(677)
Increase (decrease) in due to other funds	.....	2,000	1,316	205	.....	(7)	(8)	(14)	3,492
Increase (decrease) in due to other governments	.....	.....	(275)	.....	.....	.....	.....	2	(273)
Increase (decrease) in deferred revenue	.....	.....	(3,171)	.....	(1)	.....	.....	210	(2,962)
Increase in insurance loss liability	.....	.....	51,886	.....	.....	.....	.....	.....	51,886
Increase in other liabilities	.....	.....	9,992	.....	.....	.....	.....	.....	9,992
Total adjustments	(45,711)	(4,331)	(619)	9,928	(4,125)	1,452	(1,933)	3,780	(41,559)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>(38,738)</b>	<b>(1,576)</b>	<b>112,668</b>	<b>59,504</b>	<b>(2,776)</b>	<b>(3,185)</b>	<b>(978)</b>	<b>2,096</b>	<b>127,015</b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Operating transfers out	.....	.....	.....	(61,069)	.....	.....	.....	.....	(61,069)
Increase in contributed capital	.....	.....	.....	.....	.....	7,150	.....	375	7,525
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>(61,069)</b>	<b>.....</b>	<b>7,150</b>	<b>.....</b>	<b>375</b>	<b>(53,544)</b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Increase in contributed capital	25,000	(13,698)	.....	.....	.....	.....	7,000	.....	32,000
Decrease in contributed capital	.....	.....	.....	.....	.....	.....	.....	(2)	(13,700)
Acquisition and construction of capital assets	.....	.....	(869)	(3,180)	.....	.....	.....	(590)	(4,639)
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>25,000</b>	<b>(13,698)</b>	<b>(869)</b>	<b>(3,180)</b>	<b>.....</b>	<b>.....</b>	<b>7,000</b>	<b>(592)</b>	<b>13,661</b>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of investments	(46,954)	(9,378)	(1,361,408)	(485,130)	(9,012)	(9,695)	(14,563)	(20,120)	(1,956,260)
Proceeds from sale and maturities of investments	58,843	22,698	1,176,046	486,158	11,274	5,356	8,141	16,634	1,785,150
Investment income	1,849	1,940	73,846	3,900	415	356	396	1,649	84,351
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>13,738</b>	<b>15,260</b>	<b>(111,516)</b>	<b>4,928</b>	<b>2,677</b>	<b>(3,983)</b>	<b>(6,026)</b>	<b>(1,837)</b>	<b>(86,759)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>.....</b>	<b>(14)</b>	<b>283</b>	<b>183</b>	<b>(99)</b>	<b>(18)</b>	<b>(4)</b>	<b>42</b>	<b>373</b>
<b>CASH, JULY 1, 1994</b>	<b>1</b>	<b>123</b>	<b>5,604</b>	<b>3,522</b>	<b>100</b>	<b>23</b>	<b>95</b>	<b>113</b>	<b>9,581</b>
<b>CASH, JUNE 30, 1995</b>	<b>\$ 1</b>	<b>\$ 109</b>	<b>\$ 5,887</b>	<b>\$ 3,705</b>	<b>\$ 1</b>	<b>\$ 5</b>	<b>\$ 91</b>	<b>\$ 155</b>	<b>\$ 9,954</b>

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

# Internal Service Funds



Commonwealth of Pennsylvania

## INTERNAL SERVICE FUNDS DESCRIPTION

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

*Purchasing Fund* — to account for the purchase of materials, supplies, motor vehicles and other equipment by the Department of General Services for the sale or lease to other Commonwealth departments, boards or commissions.

*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, 1995*

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

	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
<b>ASSETS</b>			
Cash .....	\$ 91	\$ 186	\$ 277
Temporary investments .....	11,851	1,157	13,008
Receivables, net:			
Accounts .....	13	....	13
Accrued interest .....	64	4	68
Other .....	....	59	59
Due from other funds .....	13,311	2,348	15,659
Due from component units .....	977	30	1,007
Due from other governments .....	200	57	257
Inventory .....	2,133	12,568	14,701
Fixed assets .....	39,894	19,851	59,745
Less: accumulated depreciation .....	( 21,021 )	( 9,686 )	( 30,707 )
Other assets .....	2,207	25	2,232
<b>TOTAL ASSETS</b> .....	<u>\$ 49,720</u>	<u>\$ 26,599</u>	<u>\$ 76,319</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Accounts payable and accrued liabilities .....	\$ 10,708	\$ 3,369	\$ 14,077
Due to other funds .....	3,418	194	3,612
Due to other governments .....	12	18	30
Deferred revenue .....	....	1	1
Notes payable .....	2,732	....	2,732
<b>TOTAL LIABILITIES</b> .....	<u>16,870</u>	<u>3,582</u>	<u>20,452</u>
Fund Equity:			
Contributed capital .....	9,219	....	9,219
Retained earnings:			
Unreserved .....	23,631	23,017	46,648
<b>TOTAL FUND EQUITY</b> .....	<u>32,850</u>	<u>23,017</u>	<u>55,867</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b> .....	<u>\$ 49,720</u>	<u>\$ 26,599</u>	<u>\$ 76,319</u>

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

*For the Fiscal Year Ended June 30, 1995*

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

	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>			
Sales and services .....	\$ 74,959	\$ 26,904	\$ 101,863
Other .....	....	35	35
<b>TOTAL OPERATING REVENUES .....</b>	<u>\$ 74,959</u>	<u>\$ 26,939</u>	<u>\$ 101,898</u>
<b>OPERATING EXPENSES:</b>			
Cost of sales and services .....	71,674	24,366	96,040
Depreciation .....	6,125	1,033	7,158
Provision for uncollectible accounts .....	....	266	266
<b>TOTAL OPERATING EXPENSES .....</b>	<u>77,799</u>	<u>25,665</u>	<u>103,464</u>
<b>OPERATING INCOME (LOSS) .....</b>	<u>(2,840)</u>	<u>1,274</u>	<u>(1,566)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment income .....	966	88	1,054
Interest expense .....	(582)	....	(582)
Other .....	426	(223)	203
<b>NONOPERATING REVENUES (EXPENSES), NET .....</b>	<u>810</u>	<u>(135)</u>	<u>675</u>
<b>NET INCOME (LOSS) .....</b>	<u>(2,030)</u>	<u>1,139</u>	<u>(891)</u>
<b>RETAINED EARNINGS, JULY 1, 1994 .....</b>	<u>25,661</u>	<u>21,878</u>	<u>47,539</u>
<b>RETAINED EARNINGS, JUNE 30, 1995 .....</b>	<u>\$ 23,631</u>	<u>\$ 23,017</u>	<u>\$ 46,648</u>



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

*For the Fiscal Year Ended June 30, 1995*

**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 (loss) .....	\$ ( 2,840 )	\$ 1,274	\$ ( 1,566 )
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation .....	6,125	1,033	7,158
Provision for uncollectible accounts .....	....	266	266
Nonoperating revenue .....	25	....	25
Changes in assets and liabilities:			
Decrease in receivables .....	25	15	40
(Increase) decrease in due from other funds .....	( 5,436 )	1,061	( 4,375 )
Increase in due from component units .....	( 27 )	( 21 )	( 48 )
(Increase) decrease in due from other governments .....	33	( 37 )	( 4 )
(Increase) decrease in inventory .....	145	( 2,088 )	( 1,943 )
Decrease in other assets .....	1,324	72	1,396
Increase (decrease) in accounts payable and accrued liabilities .....	1,618	( 72 )	1,546
Decrease in due to other funds .....	( 5,400 )	( 42 )	( 5,442 )
Decrease in due to other governments .....	( 10 )	( 13 )	( 23 )
Increase in deferred revenue .....	....	1	1
<b>TOTAL ADJUSTMENTS</b> .....	<u>( 1,578 )</u>	<u>175</u>	<u>( 1,403 )</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b> .....	<u>( 4,418 )</u>	<u>1,449</u>	<u>( 2,969 )</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Principal paid on notes payable .....	( 1,238 )	....	( 1,238 )
Interest paid on notes payable .....	( 242 )	....	( 242 )
<b>NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES</b> .....	<u>( 1,480 )</u>	<u>....</u>	<u>( 1,480 )</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Interest paid on revenue bonds .....	( 340 )	....	( 340 )
Acquisition and construction of capital assets .....	( 6,550 )	( 4,079 )	( 10,629 )
Proceeds from sale of capital assets .....	1,226	....	1,226
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b> .....	<u>( 5,664 )</u>	<u>( 4,079 )</u>	<u>( 9,743 )</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments .....	( 38,940 )	( 19,951 )	( 58,891 )
Proceeds from sale and maturities of investments .....	49,391	22,506	71,897
Investment income .....	966	88	1,054
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b> .....	<u>11,417</u>	<u>2,643</u>	<u>14,060</u>
<b>NET INCREASE/(DECREASE) IN CASH</b> .....	<u>( 145 )</u>	<u>13</u>	<u>( 132 )</u>
<b>CASH, JULY, 1, 1994</b> .....	<u>236</u>	<u>173</u>	<u>409</u>
<b>CASH, JUNE 30, 1995</b> .....	<u>\$ 91</u>	<u>\$ 186</u>	<u>\$ 277</u>

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# Trust and Agency Funds



Commonwealth of Pennsylvania

## TRUST AND AGENCY FUNDS DESCRIPTION

Trust and Agency Funds account for assets held by the Commonwealth in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust Funds, a Pension Trust Fund and Agency Funds.

### EXPENDABLE TRUST FUNDS

***Unemployment Compensation Fund*** — to account for the receipt of employer 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 three 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

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

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

***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.

***INVEST Program For Local Governments*** — to pool and invest amounts owned by local governments and school districts. Participation in the Program is voluntary.

***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 six expendable trust funds, one pension trust fund and fifteen agency funds.

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

June 30, 1995

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

	<u>Expendable Trust Funds</u>	<u>Pension Trust Fund</u>	<u>Agency Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash .....	\$ 12,524	\$ 1	\$ 4,548	\$ 17,073
Cash with fiscal agents .....	1,906,690	....	4	1,906,694
Temporary investments .....	206,523	193,641	950,327	1,350,491
Long-term investments .....	252,156	12,977,551	283,200	13,512,907
Receivables, net:				
Taxes .....	389,960	....	2,596	392,556
Accounts .....	8,687	....	64,226	72,913
Accrued interest .....	7,552	82,156	7,988	97,696
Other .....	....	128	193	321
Due from other funds .....	3,371	70,351	5,488	79,210
Due from component units .....	283	8,901	....	9,184
Due from other governments .....	17,280	8,027	....	25,307
Fixed assets .....	....	759	....	759
Less: accumulated depreciation .....	....	( 155 )	....	( 155 )
Other assets .....	....	....	105,361	105,361
<b>TOTAL ASSETS</b> .....	<u>\$ 2,805,026</u>	<u>\$ 13,341,360</u>	<u>\$ 1,423,931</u>	<u>\$ 17,570,317</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities .....	\$ 115,787	\$ 10,241	\$ 304,637	\$ 430,665
Obligations under reverse repurchase agreements .....	....	....	16,872	16,872
Tax refunds payable .....	6,912	....	....	6,912
Due to other funds .....	119	156	613	888
Due to other governments .....	3,813	....	461,170	464,983
Other liabilities .....	....	....	640,639	640,639
<b>TOTAL LIABILITIES</b> .....	<u>126,631</u>	<u>10,397</u>	<u>1,423,931</u>	<u>1,560,959</u>
Fund Balance:				
Reserved for:				
Encumbrances .....	13,451	....	....	13,451
Pension benefits .....	....	13,330,963	....	13,330,963
Long-term investments .....	252,156	....	....	252,156
Unreserved:				
Designated for:				
Other .....	3,178	....	....	3,178
Undesignated .....	2,409,610	....	....	2,409,610
<b>TOTAL FUND BALANCES</b> .....	<u>2,678,395</u>	<u>13,330,963</u>	<u>....</u>	<u>16,009,358</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<u>\$ 2,805,026</u>	<u>\$ 13,341,360</u>	<u>\$ 1,423,931</u>	<u>\$ 17,570,317</u>

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

*June 30, 1995*

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

	Unemployment Compensation	Workmen's Compensation Security Trust	Catastrophic Loss Benefits Continuation	Other	Total
<b>ASSETS</b>					
Cash .....	\$ 12,100	\$ 255	\$ 8	\$ 161	\$ 12,524
Cash with fiscal agents .....	1,906,690	....	....	....	1,906,690
Temporary investments .....	200	132,048	39,677	34,598	206,523
Long-term investments .....	....	252,156	....	....	252,156
Receivables, net:					
Taxes .....	389,960	....	....	....	389,960
Accounts .....	1,982	40	6,665	....	8,687
Accrued interest .....	3	5,655	178	1,716	7,552
Due from other funds .....	3,368	3	....	....	3,371
Due from component units .....	283	....	....	....	283
Due from other governments .....	17,280	....	....	....	17,280
<b>TOTAL ASSETS .....</b>	<b>\$ 2,331,866</b>	<b>\$ 390,157</b>	<b>\$ 46,528</b>	<b>\$ 36,475</b>	<b>\$ 2,805,026</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities .....	\$ 70,706	\$ 28,794	\$ 16,200	\$ 87	\$ 115,787
Tax refunds payable .....	6,912	....	....	....	6,912
Due to other funds .....	....	....	105	14	119
Due to other governments .....	3,812	....	....	1	3,813
<b>TOTAL LIABILITIES .....</b>	<b>81,430</b>	<b>28,794</b>	<b>16,305</b>	<b>102</b>	<b>126,631</b>
Fund Balance:					
Reserved for:					
Encumbrances .....	....	13,394	....	57	13,451
Long-term investments .....	....	252,156	....	....	252,156
Unreserved:					
Designated for:					
Other .....	....	....	....	3,178	3,178
Undesignated .....	2,250,436	95,813	30,223	33,138	2,409,610
<b>TOTAL FUND BALANCES .....</b>	<b>2,250,436</b>	<b>361,363</b>	<b>30,223</b>	<b>36,373</b>	<b>2,678,395</b>
<b>TOTAL LIABILITIES AND FUND BALANCES ..</b>	<b>\$ 2,331,866</b>	<b>\$ 390,157</b>	<b>\$ 46,528</b>	<b>\$ 36,475</b>	<b>\$ 2,805,026</b>

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

*For the Fiscal Year Ended June 30, 1995*

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

	Unemployment Compensation	Workmen's Compensation Security Trust	Catastrophic Loss Benefits Continuation	Other	Total
<b>REVENUES:</b>					
Taxes .....	\$ 5,853	\$ . . . .	\$ . . . .	\$ . . . .	\$ 5,853
Unemployment taxes .....	1,930,269	. . . .	. . . .	. . . .	1,930,269
Licenses and fees .....	. . . .	56,976	37,661	3,553	98,190
Intergovernmental .....	74,326	. . . .	. . . .	. . . .	74,326
Investment income .....	103,382	24,374	1,768	1,781	131,305
Other .....	195	14,313	. . . .	20,678	35,186
<b>TOTAL REVENUES</b> .....	<u>2,114,025</u>	<u>95,663</u>	<u>39,429</u>	<u>26,012</u>	<u>2,275,129</u>
<b>EXPENDITURES:</b>					
Current:					
General government .....	. . . .	4,586	1,274	1,933	7,793
Protection of persons and property .....	. . . .	25,538	17,892	209	43,639
Public health and welfare .....	1,622,843	. . . .	. . . .	. . . .	1,622,843
<b>TOTAL EXPENDITURES</b> .....	<u>1,622,843</u>	<u>30,124</u>	<u>19,166</u>	<u>2,142</u>	<u>1,674,275</u>
<b>REVENUES OVER EXPENDITURES</b> .....	<u>491,182</u>	<u>65,539</u>	<u>20,263</u>	<u>23,870</u>	<u>600,854</u>
<b>OTHER FINANCING USES:</b>					
Operating transfers out .....	. . . .	. . . .	. . . .	(6)	(6)
<b>REVENUES OVER EXPENDITURES AND OTHER USES</b> .....	491,182	65,539	20,263	23,864	600,848
<b>FUND BALANCES, JULY 1, 1994</b> .....	<u>1,759,254</u>	<u>295,824</u>	<u>9,960</u>	<u>12,509</u>	<u>2,077,547</u>
<b>FUND BALANCES, JUNE 30, 1995</b> .....	<u>\$ 2,250,436</u>	<u>\$ 361,363</u>	<u>\$ 30,223</u>	<u>\$ 36,373</u>	<u>\$ 2,678,395</u>

# COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

## Agency Funds

For the Fiscal Year Ended June 30, 1995

COMMONWEALTH OF PENNSYLVANIA (Expressed in Thousands)	Balance July 1, 1994	Additions	Deductions	Balance June 30, 1995
<b>UNDERGROUND STORAGE TANK INDEMNIFICATION FUND</b>				
<b>ASSETS</b>				
Cash .....	\$ 1	\$ 114,872	\$ 114,872	\$ 1
Temporary investments .....	41,795	116,913	2,837	155,871
Receivables, net:				
Accrued interest .....	135	4,963	4,329	769
<b>TOTAL ASSETS</b> .....	<b>\$ 41,931</b>	<b>\$ 236,748</b>	<b>\$ 122,038</b>	<b>\$ 156,641</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	\$ 2,556	\$ 64,799	\$ 2,559	\$ 64,796
Due to other funds .....	343	21	343	21
Due to other governments .....	1	15	15	1
Other liabilities .....	39,031	55,165	2,373	91,823
<b>TOTAL LIABILITIES</b> .....	<b>\$ 41,931</b>	<b>\$ 120,000</b>	<b>\$ 5,290</b>	<b>\$ 156,641</b>
<b>STATUTORY LIQUIDATOR FUND</b>				
<b>ASSETS</b>				
Cash .....	\$ 1	\$ 207,992	\$ 207,993	\$ .....
Temporary investments .....	172,920	193,575	172,920	193,575
Long-term investments .....	58,750	32,879	15,514	76,115
Receivables, net:				
Accounts .....	64,733	1,217	19,558	46,392
Accrued interest .....	875	5,632	875	5,632
Due from other funds .....	.....	180	.....	180
Other assets .....	26,820	73,220	325	99,715
<b>TOTAL ASSETS</b> .....	<b>\$ 324,099</b>	<b>\$ 514,695</b>	<b>\$ 417,185</b>	<b>\$ 421,609</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	\$ 143	\$ .....	\$ .....	\$ 143
Due to other funds .....	259	3	259	3
Other liabilities .....	323,697	142,434	44,668	421,463
<b>TOTAL LIABILITIES</b> .....	<b>\$ 324,099</b>	<b>\$ 142,437</b>	<b>\$ 44,927</b>	<b>\$ 421,609</b>
<b>DEFERRED COMPENSATION FUND (December 31)</b>				
<b>ASSETS</b>				
Cash .....	\$ 1	\$ 79,652	\$ 79,652	\$ 1
Cash with fiscal agent .....	1	4	1	4
Temporary investments .....	10,717	15,228	13,446	12,499
Long-term investments .....	159,883	54,191	7,277	206,797
Receivables, net:				
Accrued interest .....	29	52	29	52
Other .....	98	193	98	193
<b>TOTAL ASSETS</b> .....	<b>\$ 170,729</b>	<b>\$ 149,320</b>	<b>\$ 100,503</b>	<b>\$ 219,546</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	\$ 170,413	\$ 59,464	\$ 10,414	\$ 219,463
Due to other funds .....	316	83	316	83
<b>TOTAL LIABILITIES</b> .....	<b>\$ 170,729</b>	<b>\$ 59,547</b>	<b>\$ 10,730</b>	<b>\$ 219,546</b>



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

*For the Fiscal Year Ended June 30, 1995*

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

	<u>Balance July 1, 1994</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 1995</u>
<b>FIRE INSURANCE TAX FUND</b>				
<b>ASSETS</b>				
Cash .....	\$ 1	\$ 112,059	\$ 112,060	\$ ....
Temporary investments .....	51,948	60,208	57,549	54,607
Receivables, net:				
Accrued interest .....	189	300	189	300
<b>TOTAL ASSETS</b> .....	<u>\$ 52,138</u>	<u>\$ 172,567</u>	<u>\$ 169,798</u>	<u>\$ 54,907</u>
<b>LIABILITIES</b>				
Due to other funds .....	\$ 189	\$ 300	\$ 189	\$ 300
Due to other governments .....	51,949	54,510	51,852	54,607
<b>TOTAL LIABILITIES</b> .....	<u>\$ 52,138</u>	<u>\$ 54,810</u>	<u>\$ 52,041</u>	<u>\$ 54,907</u>
<b>MUNICIPAL PENSION AID FUND</b>				
<b>ASSETS</b>				
Cash .....	\$ 1	\$ 260,471	\$ 260,471	\$ 1
Temporary investments .....	117,828	133,592	131,656	119,764
Receivables, net:				
Accrued interest .....	429	611	429	611
Due from other funds .....	164	855	756	263
<b>TOTAL ASSETS</b> .....	<u>\$ 118,422</u>	<u>\$ 395,529</u>	<u>\$ 393,312</u>	<u>\$ 120,639</u>
<b>LIABILITIES</b>				
Due to other funds .....	\$ ....	\$ 1	\$ ....	\$ 1
Due to other governments .....	118,422	127,393	125,177	120,638
<b>TOTAL LIABILITIES</b> .....	<u>\$ 118,422</u>	<u>\$ 127,394</u>	<u>\$ 125,177</u>	<u>\$ 120,639</u>
<b>MEDICAL PROFESSIONAL LIABILITY CATASTROPHE LOSS FUND</b>				
<b>ASSETS</b>				
Cash .....	\$ 232	\$ 365,964	\$ 366,176	\$ 20
Temporary investments .....	107,613	181,657	185,731	103,539
Receivables, net:				
Accounts .....	3,925	1,252	3,963	1,214
Accrued interest .....	366	5,475	5,345	496
<b>TOTAL ASSETS</b> .....	<u>\$ 112,136</u>	<u>\$ 554,348</u>	<u>\$ 561,215</u>	<u>\$ 105,269</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	\$ 7,752	\$ 4,631	\$ 7,786	\$ 4,597
Due to other funds .....	32	47	32	47
Due to other governments .....	5	90	90	5
Other liabilities .....	104,347	180,233	183,960	100,620
<b>TOTAL LIABILITIES</b> .....	<u>\$ 112,136</u>	<u>\$ 185,001</u>	<u>\$ 191,868</u>	<u>\$ 105,269</u>

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

*For the Fiscal Year Ended June 30, 1995*

<b>COMMONWEALTH OF PENNSYLVANIA</b>				
<i>(Expressed in Thousands)</i>				
	<b>Balance</b>			<b>Balance</b>
<b>INVEST PROGRAM FOR LOCAL GOVERNMENTS</b>	<b>July 1, 1994</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 1995</b>
(December 31)				
<b>ASSETS</b>				
Temporary investments .....	\$ 116,452	\$ 786,834	\$ 631,295	\$ 271,991
<b>TOTAL ASSETS</b> .....	<u>\$ 116,452</u>	<u>\$ 786,834</u>	<u>\$ 631,295</u>	<u>\$ 271,991</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	\$ . . . .	\$ 676	\$ . . . .	\$ 676
Obligations under reverse repurchase agreements .....	. . . .	16,872	. . . .	16,872
Due to other governments .....	116,452	769,286	631,295	254,443
<b>TOTAL LIABILITIES</b> .....	<u>\$ 116,452</u>	<u>\$ 786,834</u>	<u>\$ 631,295</u>	<u>\$ 271,991</u>
<b>OTHER FUNDS</b>				
<b>ASSETS</b>				
Cash .....	\$ 2,825	\$ 824,907	\$ 823,207	\$ 4,525
Temporary investments .....	37,549	371,337	370,405	38,481
Long-term investments .....	1,313	. . . .	1,025	288
Receivables, net:				
Taxes .....	2,725	2,596	2,725	2,596
Accounts .....	12,491	4,403	274	16,620
Accrued interest .....	96	128	96	128
Due from other funds .....	1,377	5,045	1,377	5,045
Other assets .....	5,179	519	52	5,646
<b>TOTAL ASSETS</b> .....	<u>\$ 63,555</u>	<u>\$ 1,208,935</u>	<u>\$ 1,199,161</u>	<u>\$ 73,329</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	\$ 13,179	\$ 14,670	\$ 12,887	\$ 14,962
Due to other funds .....	171	3,871	3,884	158
Due to other governments .....	26,203	420,726	415,453	31,476
Other liabilities .....	24,002	37,295	34,564	26,733
<b>TOTAL LIABILITIES</b> .....	<u>\$ 63,555</u>	<u>\$ 476,562</u>	<u>\$ 466,788</u>	<u>\$ 73,329</u>
<b>TOTAL — ALL FUNDS</b>				
<b>ASSETS</b>				
Cash .....	\$ 3,062	\$ 1,965,917	\$ 1,964,431	\$ 4,548
Cash with fiscal agents .....	1	4	1	4
Temporary investments .....	656,822	1,859,344	1,565,839	950,327
Long-term investments .....	219,946	87,070	23,816	283,200
Receivables, net:				
Taxes .....	2,725	2,596	2,725	2,596
Accounts .....	81,149	6,872	23,795	64,226
Accrued interest .....	2,119	17,161	11,292	7,988
Other .....	98	193	98	193
Due from other funds .....	1,541	6,080	2,133	5,488
Other assets .....	31,999	73,739	377	105,361
<b>TOTAL ASSETS</b> .....	<u>\$ 999,462</u>	<u>\$ 4,018,976</u>	<u>\$ 3,594,507</u>	<u>\$ 1,423,931</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	\$ 194,043	\$ 144,240	\$ 33,646	\$ 304,637
Obligations under reverse repurchase agreements .....	. . . .	16,872	. . . .	16,872
Due to other funds .....	1,310	4,326	5,023	613
Due to other governments .....	313,032	1,372,020	1,223,882	461,170
Other liabilities .....	491,077	415,127	265,565	640,639
<b>TOTAL LIABILITIES</b> .....	<u>\$ 999,462</u>	<u>\$ 1,952,585</u>	<u>\$ 1,528,116</u>	<u>\$ 1,423,931</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, 1995*

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

	Balance July 1, 1994	Additions	Retirements	Balance June 30, 1995
<b>GENERAL FIXED ASSETS:</b>				
Land .....	\$ 238,843	\$ 2,460	\$ 34	\$ 241,269
Buildings .....	2,667,274	26,342	....	2,693,616
Improvements other than buildings .....	196,088	807	....	196,895
Furniture, machinery and equipment....	503,472	68,281	18,756	552,997
	3,605,677	97,890	18,790	3,684,777
Construction in progress .....	88,645	167,920	25,308	231,257
	88,645	167,920	25,308	231,257
Total General Fixed Assets .....	\$ 3,694,322	\$ 265,810	\$ 44,098	\$ 3,916,034
 <b>INVESTMENT IN GENERAL FIXED ASSETS:</b>				
Acquired on or before June 30, 1986 ...	\$ 2,011,592	\$ ....	\$ 7,887	\$ 2,003,705
Acquired after June 30, 1986 from:				
General fund revenues .....	584,731	18,666	10,489	592,908
General obligation bonds .....	735,092	25,324	5	760,411
Federal grants .....	28,692	5,284	34	33,942
Special revenue funds .....	237,543	48,558	375	285,726
Donations .....	7,833	8	....	7,841
Confiscations .....	194	50	....	244
	3,605,677	97,890	18,790	3,684,777
Construction in progress .....	88,645	167,920	25,308	231,257
	88,645	167,920	25,308	231,257
Total Investment in General Fixed Assets .....	\$ 3,694,322	\$ 265,810	\$ 44,098	\$ 3,916,034

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, 1995*

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

	Land	Buildings	Improvements Other Than Buildings	Furniture Machinery and Equipment	Total
<b>FUNCTION</b>					
General government .....	\$ 9,793	\$ 456,155	\$ 23,095	\$ 57,986	\$ 547,029
Protection of persons and property .....	8,952	936,563	88,737	55,216	1,089,468
Public health and welfare .....	2,954	575,492	18,132	70,139	666,717
Public education .....	17,453	597,219	49,418	5,339	669,429
Conservation of natural resources .....	198,771	60,412	10,870	35,724	305,777
Economic development and assistance .....	....	....	....	406	406
Transportation .....	3,346	67,775	6,643	328,187	405,951
<b>TOTALS ALLOCATED TO FUNCTIONS .....</b>	<b>\$ 241,269</b>	<b>\$2,693,616</b>	<b>\$196,895</b>	<b>\$552,997</b>	<b>3,684,777</b>
Construction in progress .....					231,257
<b>TOTAL GENERAL FIXED ASSETS .....</b>					<b>\$ 3,916,034</b>

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

*For the Fiscal Year Ended June 30, 1995*

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

	Balance July 1, 1994	Additions	Retirements	Transfers In	Transfers Out	Balance June 30, 1995
General government .....	\$ 541,270	\$ 9,061	\$ 15,805	\$ 19,594	\$ 7,091	\$ 547,029
Protection of persons and property .....	1,081,850	16,823	732	681	9,154	1,089,468
Public health and welfare .....	652,837	14,574	447	239	486	666,717
Public education .....	664,170	5,543	232	80	132	669,429
Conservation of natural resources .....	291,326	14,823	457	184	99	305,777
Economic development and assistance .....	386	49	29	....	....	406
Transportation .....	373,838	37,017	1,088	323	4,139	405,951
	3,605,677	97,890	18,790	21,101	21,101	3,684,777
Construction in progress .....	88,645	167,920	25,308	....	....	231,257
<b>TOTALS .....</b>	<b>\$ 3,694,322</b>	<b>\$ 265,810</b>	<b>\$ 44,098</b>	<b>\$ 21,101</b>	<b>\$ 21,101</b>	<b>\$ 3,916,034</b>

# Statistical Section



Commonwealth of Pennsylvania

**REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUND TYPES<sup>(1)</sup>**

TABLE 1

*For the Last Ten Fiscal Years Ended June 30*

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)

	1986	1987	1988	1989	1990	1991	1992	1993	1994 <sup>(4)</sup>	1995 <sup>(4)</sup>
<b>REVENUES BY SOURCE</b>										
Taxes	\$ 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	\$ 16,990,198
Licenses and fees	540,234	564,781	588,526	629,370	661,265	685,196	699,141	717,508	740,723	773,463
Intergovernmental	3,745,396	3,751,334	3,873,583	4,248,709	4,358,109	5,165,068	6,004,765	6,949,683	7,822,596	7,959,997
Charges for sales and services	530,519	486,243	536,175	528,691	503,643	1,015,169	1,754,679	1,654,175	847,520	894,852
Investment income	195,202	194,900	193,945	226,190	221,835	158,280	141,433	94,362	79,329	145,124
Lottery receipts, net of prizes through 1986 <sup>(2)</sup>	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	1,595,726
Other <sup>(3)</sup>	231,346	185,341	153,580	281,251	389,318	411,195	343,661	348,727	171,555	167,452
<b>TOTAL REVENUES</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>\$ 27,331,212</b>	<b>\$ 28,526,812</b>
<b>EXPENDITURES BY FUNCTION</b>										
General government <sup>(2)</sup>	\$ 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	\$ 2,313,118
Protection of persons and property	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	1,927,228
Public health and welfare	6,231,705	6,360,862	6,704,892	7,175,239	7,745,019	9,200,299	11,132,219	11,288,552	11,810,077	12,249,729
Public education	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	7,006,744
Conservation of natural resources	299,010	305,599	334,833	368,906	373,719	431,006	468,431	483,644	525,401	571,502
Economic development and assistance	187,614	206,355	346,037	349,767	363,950	315,362	302,028	284,940	272,212	338,377
Transportation	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	2,773,086
Capital outlay	463,671	476,118	274,336	229,753	168,807	298,506	207,168	418,062	210,083	264,464
Debt Service										
Principal retirement	1,186,619	659,548	482,277	440,152	608,360	526,625	568,900	594,472	482,344	516,705
Interest and fiscal charges	407,066	405,701	408,968	448,482	455,574	452,986	487,479	430,947	291,731	301,480
<b>TOTAL LIABILITIES AND FUND EQUITY</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>\$ 26,996,477</b>	<b>\$ 28,262,433</b>

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

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

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

<sup>(4)</sup> Includes primary government only.

**NET BONDED DEBT PER CAPITA**

**TABLE 2**

*For the Last Ten Fiscal Years*

**COMMONWEALTH OF PENNSYLVANIA**

<u>For The Fiscal Year Ended June 30</u>	<u>(Expressed in Thousands)</u>		<u>Debt Per Capita</u>
	<u>Net Bonded Debt</u>	<u>Population</u>	
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	11,990	406
1993	5,040,938	12,030	419
1994	5,100,012	12,052	423

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

For The Fiscal Year Ended June 30	(Expressed in Thousands)		%
	Debt Service Requirements Funded by General Fund	Budgetary Basis General Fund Expenditures <sup>(1)</sup>	
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
1995	525,889	22,467,672	2.34

<sup>(1)</sup> 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, 1995*

**COMMONWEALTH OF PENNSYLVANIA**

Average annual tax revenues deposited in the previous five fiscal years .....	\$ 17,664,551,936
Constitutional factor .....	x 1.75
	<hr/>
Constitutional debt limit for debt incurred without the approval of the electors .....	30,912,965,888
Less outstanding net debt (non electorate approved) .....	3,896,204,796
	<hr/>
Legal debt margin .....	<u>\$ 27,016,761,092</u>

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

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

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

The figures above are abstracted from a certification of the Auditor General dated August 31, 1995.

**SCHEDULE OF REVENUE BOND COVERAGE**

**TABLE 5**

*For the Last Ten Fiscal Years*

**COMMONWEALTH OF PENNSYLVANIA**

<b>Pennsylvania Turnpike Commission<sup>(b)</sup></b>							
(Expressed in Thousands)							
For the Fiscal Year Ended May 31	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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
1995	375,754	146,325	229,429	15,715	72,548	88,263	2.60

<b>Pennsylvania Industrial Development Authority<sup>(b)</sup></b>							
(Expressed in Thousands)							
For the Fiscal Year Ended June 30	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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
1995	30,806	2,864	27,942	4,335	20,123	24,458	1.14

<b>Pennsylvania Housing Finance Agency<sup>(b)</sup></b>							
(Expressed in Thousands)							
For the Fiscal Year Ended June 30	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest <sup>(a)</sup>	Total	
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
1995	196,023	16,095	179,928	51,406	139,621	191,027	.94

<sup>(a)</sup> Excludes interest on notes payable

<sup>(b)</sup> Discretely Presented Component Unit.

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

**TABLE 6**

*For the Last Ten Calendar Years*

**COMMONWEALTH OF PENNSYLVANIA**

<u>Calendar Year</u>	<u>(Expressed in Thousands)</u>		<u>%</u>
	<u>United States</u>	<u>Pennsylvania</u>	
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	255,028	11,990	4.7
1993	257,783	12,030	4.7
1994	260,341	12,052	4.6

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

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

**TABLE 7**

*For the Last Ten Calendar Years*

**COMMONWEALTH OF PENNSYLVANIA**

(Expressed in Thousands)		
<u>Calendar Year</u>	<u>Demand Deposits</u>	<u>Time and Savings Deposits</u>
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
1994	6,952,868	49,674,200

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*

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
<b>COMMONWEALTH OF PENNSYLVANIA</b> (Expressed in Thousands Except Percents)										
<b>PENNSYLVANIA</b>										
Civilian labor force .....	5,527	5,637	5,653	5,764	5,857	5,787	5,822	5,882	5,885	5,829
Employment .....	5,084	5,251	5,333	5,470	5,592	5,475	5,421	5,441	5,472	5,468
Unemployment .....	443	386	320	294	265	311	401	441	413	361
Rate % .....	8.0	6.8	5.7	5.1	4.5	5.4	6.9	7.5	7.0	6.2
<b>UNITED STATES</b>										
Civilian labor force .....	115,461	117,835	119,865	121,669	123,869	124,788	125,303	126,982	128,040	131,056
Employment .....	107,150	109,598	112,440	114,968	117,342	117,914	116,877	117,598	119,306	123,060
Unemployment .....	8,311	8,237	7,425	6,701	6,527	6,874	8,426	9,384	8,734	7,996
Rate % .....	7.2	7.0	6.2	5.5	5.3	5.5	6.7	7.4	6.8	6.1

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	%
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	4,366,135	211,739	4.8	17,690	17,844	100.9
1990	4,655,420	224,628	4.8	18,718	18,905	101.0
1991	4,831,697	233,676	4.8	19,163	19,556	102.1
1992	5,137,875	247,323	4.8	20,146	20,627	102.4
1993	5,364,300	256,408	4.8	20,809	21,314	102.4
1994	5,649,010	267,501	4.7	21,699	22,196	102.3

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

**THIRTY LARGEST NONGOVERNMENTAL EMPLOYERS**

**TABLE 10**

*For the Calendar Year 1994*

**COMMONWEALTH OF PENNSYLVANIA**

EMPLOYER	RANK
Pennsylvania State University .....	1
Trustees of the University of Pennsylvania .....	2
K Mart Corporation .....	3
Bell Atlantic .....	4
US Air, Incorporated .....	5
Mellon Bank, NA .....	6
United Parcel Service Inc .....	7
PNC Bank .....	8
Wal-Mart Stores Inc .....	9
General Electric Company .....	10
Westinghouse Electric Corp .....	11
Acme Markets Inc .....	12
Sears Roebuck and Company .....	13
Weis Markets Inc .....	14
University of Pittsburgh .....	15
The Prudential Insurance Co .....	16
CoreStates .....	17
Presbyterian University Hospital .....	18
JC Penney Co, Inc .....	19
Temple University .....	20
Philadelphia Electric Company .....	21
Strawbridge & Clothier .....	22
Thomas Jefferson University .....	23
AMP Incorporated .....	24
Hershey Foods Corporation .....	25
AT&T .....	26
Giant Food Stores, Inc .....	27
Southeastern PA Transportation .....	28
Pennsylvania Power & Light .....	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	Harsco Corporation
Air Products and Chemicals, Inc.	Hershey Foods Corporation
Airgas	Integra Financial Corporation
Alco Standard Corporation	Intelligent Electronics
Allegheny Ludlum Corporation	Mellon Bank Corp.
Aluminum Company of America	Meridian Bancorp, Inc.
Amerisource Distribution	Mylan Laboratories
Ametek	PNC Financial Corporation
AMP Incorporated	PPG Industries, Inc.
ARCO Chemical	Pennsylvania Power & Light Co.
Armstrong World Industries, Inc.	Pep Boys
Arrow International	Philadelphia Electric Co.
Bell Atlantic Corporation	Quaker State Corporation
Bethlehem Steel Corporation	QVC Network
Betz Laboratories	Rhone—Poulenc Rorer
Centocor	Rite Aid Corporation
Cigna Corporation	Rohm and Haas Company
Comcast Corporation	Scott Paper Company
Consolidated Natural Gas Co.	Sun Company, Inc.
Consolidated Rail Corporation	Sungard Data Systems
CoreStates Financial Corporation	UGI Corporation
Crown Cork and Seal Company,	Union Pacific Corporation
Dauphin Deposit Corporation	UNISYS Corporation
Dentsply International	U.S. Healthcare
DQE Corporation	USX Corporation
Equitable Resources	VF Corporation
General Nutrition	Vishay Intertechnology
Glatfelter (P.H.) Company	Weis Markets, Incorporated
Fore Systems	Westinghouse Electric Corporation
H.J. Heinz Company	York International

SOURCE: *Fortune*, May 5, 1995; *The 1994 Business Week 1000*, March 1995.

*June 30, 1995*

COMMONWEALTH OF PENNSYLVANIA

Date of Ratification of U.S. Constitution	December 12, 1787
Form of Government	Legislative-Executive-Judicial
Miles of State Highway	40,486
Land Area – in square miles	44,888
State Police Protection:	
Number of Stations	107
Number of State Police	4,176
Higher Education (Universities, Colleges and Community Colleges):	
Number of campuses in state	237
Number of educators	22,466
Number of students	622,152
Recreation:	
Number of State Parks	116
Area of State Parks	282,500 Acres
Area of State Forests	2,095,267 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